



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **JOINT APPLIED PROJECT**

**Analysis of the Head of the Contracting Activity (HCA)  
Oversight Responsibilities within the Naval Supply Systems Command  
(NAVSUP)**

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December 2005**

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**ANALYSIS OF THE HEAD OF THE CONTRACTING ACTIVITY (HCA)  
OVERSIGHT RESPONSIBILITIES WITHIN THE NAVAL SUPPLY SYSTEMS  
COMMAND (NAVSUP)**

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Submitted in partial fulfillment of the requirements for the degree of

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from the

**NAVAL POSTGRADUATE SCHOOL  
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# **ANALYSIS OF THE HEAD OF THE CONTRACTING ACTIVITY (HCA) OVERSIGHT RESPONSIBILITIES WITHIN THE NAVAL SUPPLY SYSTEMS COMMAND (NAVSUP)**

## **ABSTRACT**

The purpose of this paper is to evaluate the Head of Contracting Activity (HCA) oversight responsibilities within the Naval Supply Systems Command (NAVSUP). Statutes as implemented by the Federal Acquisition Regulations (FAR) (and lower level regulations) mandate the oversight responsibilities of the HCA. This responsibility is further delegated in NAVSUP instructions and policy and other higher-level policy. The objective of this paper is to establish a single source that identifies the regulations, instructions, policies, etc. that promulgate the HCA oversight responsibility within NAVSUP. The end result of the paper is to analyze the challenges associated with implementing the HCA oversight function, whether this oversight is being performed in the required manner, and whether it is delegated to the appropriate level.

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## **EXECUTIVE SUMMARY**

The purpose of this Joint Applied Project is to provide an analysis of the oversight responsibility of the Head of the Contracting Activity (HCA) within the Naval Supply System Command (NAVSUP). The HCA oversight responsibility resides in the Contracting Management Directorate of NAVSUP. This project focused on determining the health of the oversight responsibility by identifying strengths and weaknesses, and providing recommendations to improve the process.

Chapter I provides an introduction to the project that includes its purpose, scope, and the anticipated benefits of the research. Chapter II provides regulatory guidance as it pertains to HCA oversight. Chapter III discusses the implementation of the HCA oversight requirement to include such processes as delegation of authority to the Navy Field Contracting System, review process for specific contractual documents, regularly scheduled Procurement Performance Management Assessment Program reviews, implementation of self-assessment plans, and customer satisfaction surveys. Chapter IV analyzes the NAVSUP processes in the areas discussed in Chapter III. Chapter V addressed the recommendations resulting from the analyses conducted in the previous chapter. Recommendations were made regarding the delegation of HCA authority, updating applicable instructions, PPMAP structure, summary of findings and repeat findings, best practices, lessons learned, and customer satisfaction surveys.

The methodology used for this project was a literature review of statutes, regulations, policies, presentations, articles, databases, contract files, logs, and websites relating to NAVSUP HCA oversight responsibilities.

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## **I. INTRODUCTION**

### **A. PURPOSE**

The purpose of this paper is to evaluate the Head of Contracting Activity (HCA) oversight responsibilities within the Naval Supply Systems Command (NAVSUP). HCA responsibilities reside within the NAVSUP 02 department, which is the Contract Management Directorate (CMD), headed by a Navy Captain. NAVSUP 02's top three priorities include; integrity of the HCA Contracting Authority, Shift to Performance-Based Acquisitions, and Strategic Sourcing Commodity Councils.<sup>1</sup> This paper will examine the first priority.

Statutes implemented by the Federal Acquisition Regulation (FAR) (and lower level regulations) mandate the oversight responsibilities of the HCA. This responsibility is further delegated in NAVSUP instructions and policy and other higher-level policy. The objective of this paper is to establish a single source that identifies the regulations, instructions, policies, etc. that promulgate the HCA oversight responsibility within NAVSU. If the current level of oversight is insufficient, or a weakness is identified/perceived, our team will provide recommendations to NAVSUP 02 for consideration.

### **B. SCOPE**

The end result of the paper is to analyze whether this oversight is being performed in the required manner, the challenges associated with implementing the HCA oversight function and whether it is delegated to the appropriate level.

### **C. METHODOLOGY**

Methodology used in this MBA Project will consist of the following steps:

1. Conduct a literature review of statute, regulations, policy, presentations, articles, websites, and guidance that relate to the NAVSUP HCA oversight responsibility.
2. Review findings, recommendations and best practices discovered during a three-year Procurement Performance Management Assessment Program (PPMAP) cycle.

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<sup>1</sup> CDR Stephen Shapro, BUMED Contracting Authority Presentation dated 25 May 05.

3. Review Navy Field Contracting System (NFCS) survey inputs that relate to the HCA oversight responsibility.

4. Review NAVSUP 02 contract files and databases that contain oversight information files.

5. Review NAVSUP contract files and databases that contain HCA oversight information.

#### **D. BENEFITS OF RESEARCH**

There are two benefits anticipated; one is providing a single location identifying all regulations, policy, and guidance that defines the HCA responsibility within NAVSUP, and the other is an analysis of this oversight structure to make recommendations as to whether or not the oversight process is adequate or whether any weakness exist (amount of oversight, recurring issues, delegation to the appropriate level, oversight appropriately implemented, etc.)

#### **E. ORGANIZATION OF PROJECT**

The objective of this paper will be to provide a source document to identify the regulations, instructions, policies, etc. that promulgate the HCA oversight responsibility within NAVSUP 02. Each chapter will outline specific information pertaining to:

1. Chapter II is a review of the laws and regulations that provides the information that structures the functions of the HCA oversight responsibility. We will explore; HCA Oversight mandated by 10 U.S.C., HCA oversight requirements in Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulations Supplement (DFARS), Navy Marine Corps Acquisition Regulations Supplement (NMCARS), and the structure of the NFCS.

2. Chapter III will explain how NAVSUP 02 implements the HCA oversight requirement and how the NAVSUP HCA Team operates. Responsibilities include implementation of the HCA oversight responsibility within NAVSUP 02, SUP 00 Delegation of the HCA Authority, Delegation of Authority to the NFCS in accordance with NAVSUPINST

4200.81C “NFCS Authority and Responsibility,” Continuous Oversight mandated in accordance with NAVSUPINST 4200.83F “Contracting and Business Procedures and Approvals” to include (justifications/acquisition plans, business clearances), Regularly Scheduled Oversight in accordance with NAVSUPINST 4200.82C “PPMAP of the NFCS,” and Certification of Self-Assessment Plans.

3. Chapter IV is the analysis of the NAVSUP processes to implement the HCA oversight responsibilities identified in Chapter III.

4. Chapter V provides recommendations based on the analysis conducted in Chapter IV.

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## **II. BACKGROUND**

A review of the laws and regulations will provide information that structures the functions of the HCA oversight responsibility. The Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulations Supplement (DFARS), and Navy Marine Corps Acquisition Regulations Supplement (NMCARS) provide regulatory guidance for Heads of Contracting Activities.

### **A. HCA OVERSIGHT MANDATED BY 10 U.S.C.**

The HCA oversight mandated by 10 U.S.C. Subtitle A, Part IV, Chapter 137 § 2330, “requires management structure for procurement services. Section 2330 (b) outlines contracting responsibilities of designated officials. Per 10. U.S.C., the responsibilities of an official designated shall include respect to the procurement of services for the military department or Defense Agencies and components of services for the military department or Defense Agencies and components by that official, the responsibilities include:”<sup>2</sup>

1. “Ensuring that the services are procured by means of contracts or task orders that are in the best interests of the Department of Defense (DoD) and are entered into or issued and managed in compliance with applicable statutes, regulations, directives, and other requirements, regardless of whether the services are procured through a contract or task order of the Department of Defense or through a contract entered into a task order issued by an official of the United States outside the Department of Defense.”

2. “Analyzing data collected under Section 2330a of this title on contracts that are entered into for the procurement of services.”

3. “The responsibilities of a designated official may be delegated to other employees of the Department of Defense in accordance with the criteria established by the Secretary of Defense.”

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<sup>2</sup> U.S.C.

## **B. HCA OVERSIGHT REQUIREMENTS IN FAR, DFARS, NMCARS**

### **1. Federal Acquisition Regulation (FAR)**

“The Federal Acquisition Regulation System is established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies. The Federal Acquisition Regulation System consists of the Federal Acquisition Regulation (FAR), which is the primary document, and agency acquisition regulations that implement or supplement the FAR.”<sup>3</sup>

HCA Oversight Requirements outlined in FAR 1.10 state, “Each authority is delegable unless stated otherwise.”

An important key factor to consider is FAR 1.102, which outlines the Guiding Principles for the Federal Acquisition System. This part of the FAR identifies that “(a) The vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public’s trust and fulfilling public policy objectives. Participants in the acquisition process should work together as a team and should be empowered to make decisions within their area of responsibility.” In order to meet that vision, HCA oversight plays a significant role in assuring that public policy objectives are met.

### **2. Defense Federal Acquisition Regulations Supplement (DFARS).**

“For DoD, the commander or commanding officer of an activity designated in DFARS 202.101 as a contracting activity has the overall responsibility for management and oversight of delegated contracting authority within the organization and at the field activities; that authority is derived from the HCA. Commander, Naval Supply Systems Command (NAVSUP) is the HCA for the Navy Field Contracting System (NFCS) plus the Naval Inventory Control Point (NAVICP), which is its own HCA.<sup>4</sup> Per NAVSUP 4200.81C, as HCA, NAVSUP is empowered to delegate contracting authority to Navy field activities to accomplish specific procurements.”

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<sup>3</sup> Federal Acquisition Regulation (FAR) – FAR 1.101

<sup>4</sup> Defense Federal Acquisition Regulations Supplement (DFARS)

### **3. Navy Marine Corps Acquisition Regulations Supplement (NMCARS)**

“NMCARS establishes uniform Department of the Navy (DoN) policies and procedures implementing and supplementing the FAR and the DFARS. Specifically, per NMCARS dated September 2003, HCA responsibilities are outlined as follows:

a. 5201.691 Procurement Management Oversight Responsibilities include:

1. Deputy Assistant Secretary of the Navy (DASN)(ACQ) is responsible for oversight and review of HCAs and other designated DoN contracting organizations and will oversee and provide guidance on the Procurement Performance Management Assessment Program (PPMAP). DASN(ASQ) shall be advised immediately any time an organization’s contracting authority or purchase card authority is revoked, suspended, or reduced.

2. HCAs are responsible for oversight and review of their subordinate contracting organizations. When requested, they nominate senior contracting personnel to serve on DASN(ACQ) PPMAP teams and by 30 December of each year, provide DASN(ACQ) a summary of relevant findings (best practices, deficiencies, recommendations, etc.) from the results of the previous fiscal year’s PPMAP activities.

3. The Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM) is also responsible for oversight and review of all activities with NAVSUP-delegated contracting authority, and other activities as directed by DASN(ACQ) or higher-level authority.

4. Fleet and Type Commanders are responsible for oversight and review of afloat units. Reviews may be a part of regularly scheduled Supply Management Assessments (SMAs).

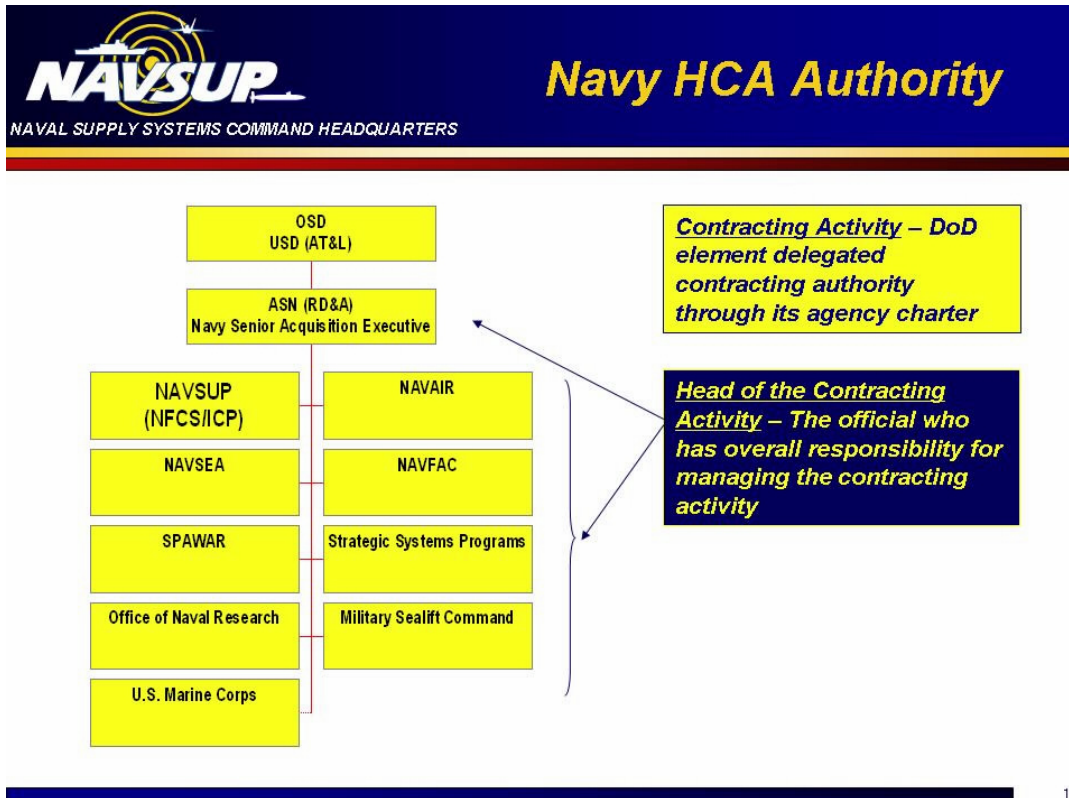
5. Each contracting activity assigned procurement management oversight is responsible for preparing and maintaining a schedule of reviews, and conducting reviews of all subordinate organizations with delegated contracting authority.”<sup>5</sup>

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<sup>5</sup> Navy Marine Corps Acquisition Regulations Supplement (NMCARS)

### C. THE STRUCTURE OF THE NAVY FIELD CONTRACTING SYSTEM (NFCS)

NAVSUP is the HCA for the NFCS. NAVSUP, through the NFCS, is responsible for contracting for supplies and services throughout the DoN for which no other contracting activity, office or command is otherwise delegated contracting authority. The HCAs in the Navy include (Figure 1):



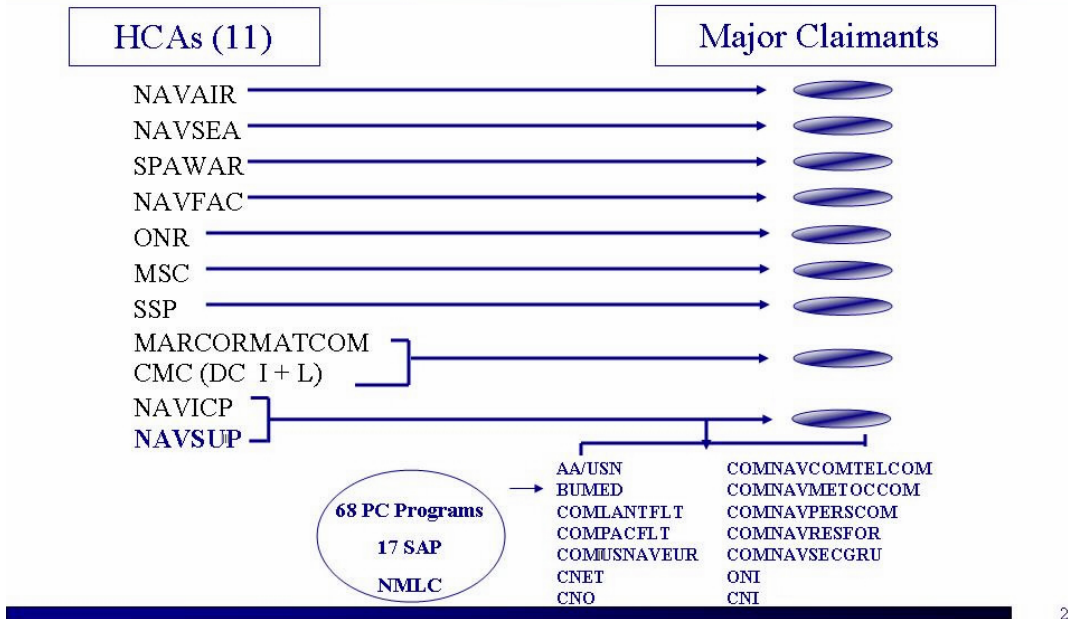


Figure 1. Navy HCA Authority

“The core business of activities deriving their contracting authority from NAVSUP as HCA is to deliver combat capability through logistics in support of Navy customers outside the cognizance of the other Navy HCAs. Core business may include, when advantageous or necessary, support to DoD, other service and joint programs. Providing support to non-DoD agencies should be evaluated on a case-by-case basis and coordinated with NAVSUP 02 before such requirements are accepted”.<sup>6</sup>

Pursuant to NMCARS, NAVSUP has been assigned certain contracting responsibilities. “Naval Supply Systems Command Instruction (NAVSUPINST) 4200.81C outlines contracting authority and responsibility, requests for contracting authority, delegation of contracting authority and ratification of unauthorized commitments.” NAVSUPINST 4200.81C provides, “Activities do not have to have NAVSUP as their headquarters to receive delegated contracting authority from them.” NFCS activities include (Figure 2):

<sup>6</sup> NAVSUPINST 4200.81C

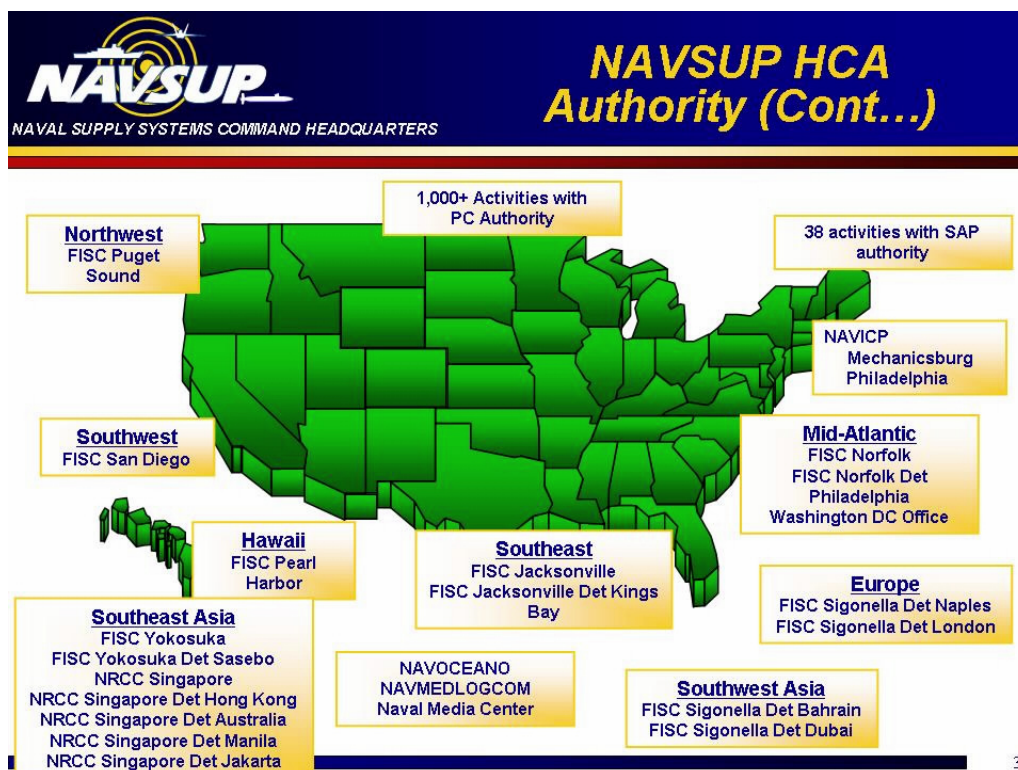


Figure 2. NFCS Activities

NAVICP, the Fleet and Industrial Supply centers (FISCs), the Naval Regional Contracting Centers (NRCCs), the Navy Exchange Service Command (NEXCOM), other field contracting activities and Navy fleet activities having contracting authority delegated by NAVSUP, and all Navy activities with NAVSUP delegated micro-purchase authority for use of the Government-wide Commercial Purchase Card. Although the NAVICP is part of the NFCS, they are their own HCA per DFARS Part 2 and do not derive their contracting authority from NAVSUP; HCA. NAVSUP does provide contracting policy and oversight to the NAVICP, because they are a NAVSUP field activity and NAVSUP is fulfilling their role.

It is important to note, NFCS can be categorized into four major groups: activities with unlimited authority providing regional contracting support, activities with limited contracting authority above the micro-purchase threshold, purchase card based activities, and activities with responsibility for certain commodity groups or specific mission support.

### **III. NAVSUP IMPLEMENTATION OF THE HCA OVERSIGHT REQUIREMENT WITHIN NAVSUP**

This chapter provides a discussion on the breadth of Head of the Contracting Activity (HCA) oversight responsibility within NAVSUP. It will address the NAVSUP Contracting Management Directorate. This directorate is the HCA's principal staff for contracting policy matters, operational review, specific approval actions and PPMAPs. This chapter will address how the HCA oversight authority has been delegated as authorized by higher-level regulations. In order to properly implement the contracting oversight responsibilities of the HCA and fulfill the obligations of the other responsibilities mentioned in Chapter II; numerous instructions, policies and procedures have been implemented.

#### **A. IMPLEMENTATION OF THE HCA OVERSIGHT RESPONSIBILITY WITHIN NAVSUP**

NMCARS 5201.691 "Procurement Management Oversight" establishes the responsibilities of the HCA, specifically, "HCAs are responsible for oversight and review of their subordinate contracting organizations".<sup>7</sup> It further states that the "Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM) is also responsible for oversight and review of all activities with NAVSUP delegated contracting authority, and other activities as directed by DASN(ACQ) or higher-level authority". Also, NMCAG G5201.690(b) identifies that "HCAs should establish written procedures for the review and approval of business clearances".

The purpose of the NAVSUP Contracting Management Directorate (NAVSUP CMD) is to act as the NAVSUP Chief Contracting Officer (CKO) to execute NAVSUP's HCA responsibility for policy and oversight management of the Commander Fleet and Industrial Supply Center (COMFISC) Lead Contracting Executive (LCE) and the Navy Field Contracting System (NFCS), which is comprised of NAVSUP's command activities, as well as, all other

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<sup>7</sup> NMCARS

Navy field activities delegated contracting authority by NAVSUP. Additionally, this directorate executes policy and oversight for the Naval Inventory Control Point (NAVICP), which in fact is its own HCA.

The NAVSUP CMD serves as the Executive Agent for the Navy Simplified Acquisition Program (SAP), the Navy Supplies and Services Contingency Contracting Program, the Procurement Management Reporting System (PMRS) Program and the Jarvis-Wagner-O'Day (JWOD) Program. The directorate also serves as the NAVSUP command Procurement Performance Management Assessment Program (PPMAP) Program Manager and performs periodic selective reviews of contracting operations and related areas to determine that an adequate system of checks and balances has been provided. The directorate serves as the NAVSUP command Level III APC to oversee Government Wide Purchase Card used by NAVSUP HCA purchase cardholders. Also, NAVSUP CMD acts as functional lead for the NAVSUP Standard Procurement System (SPS), Navy Electronic Commerce Online (NECO), and procurement automation issues in concert with the Navy Supply Information Systems Activity (NAVSISA) as the technical lead.

In order to better meet these responsibilities, the NAVSUP CMD was reorganized in November 2004. The previous and new structures are illustrated in Figures 3 and 4.



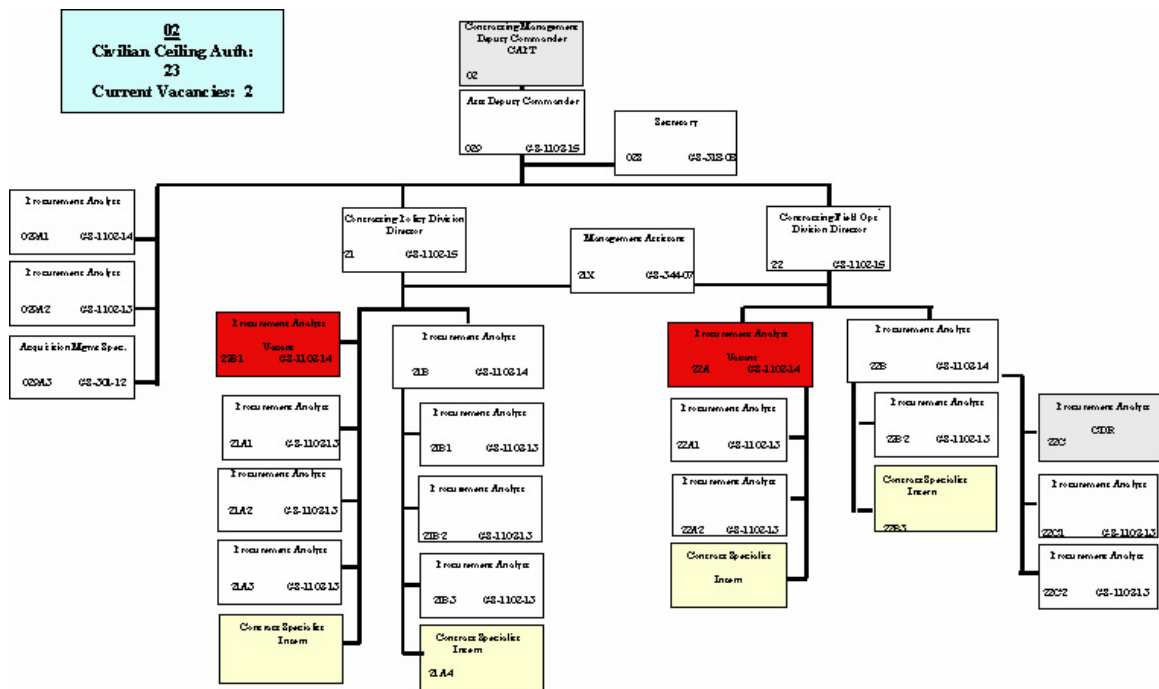


Figure 3. NAVSUP 02 Organizational Structure - Pre-14 November 2004

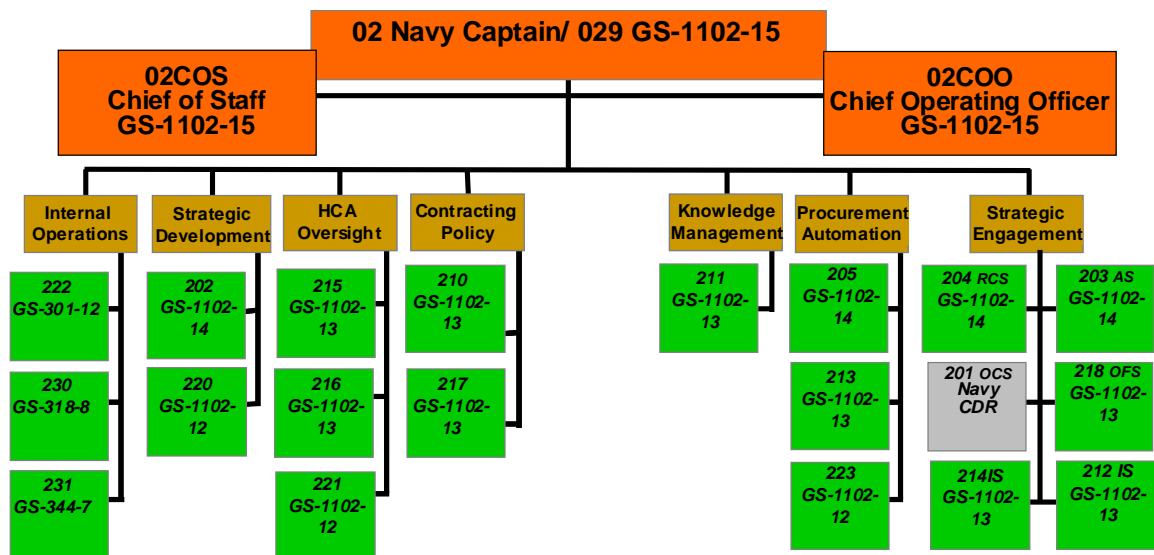


Figure 4. NAVSUP 02 Organizational Structure - Post-14 November 2004<sup>8</sup>

As may be seen in Figure 4, NAVSUP CMD has reorganized and part of that reorganization established an HCA Oversight team. NAVSUP HQ maintains an organization

<sup>8</sup> Jody Johnston; NAVSUP 02 PowerPoint Slide; 29 August 2005

manual<sup>9</sup> that identifies the structure and numerous functions of the headquarters staff. NAVSUP is currently revising their organization manual, so in May 2005 NAVSUP CMD was tasked with articulating how each team within the directorate supports the NAVSUP mission and what are their functions. One of the authors of this paper was responsible for defining how the HCA Oversight team supports the NAVSUP mission and what their functions are.

The HCA Oversight team supports the NAVSUP mission by preserving the integrity of NAVSUP delegated Head of the Contracting Activity (HCA) authority, which ultimately results in more efficient and effective contracting operations in support of customers both internal and external to the Enterprise. On behalf of the HCA, the HCA Oversight team is responsible for the delegation of contracting authority to the NFCS and the efficient and effective oversight of this authority. This is accomplished by exercising review and approval authority on specific categories and dollar values of acquisitions before award and reviewing Navy Field Contracting System (NFCS) activities periodically to ensure field contracting is being performed in accordance with established regulations and policy and in a cost effective manner.

This team provides functional expertise and dedicated contracting support to specific NFCS activities through direct interface. The team acts for the HCA in reviewing and approving high-dollar value contract actions by NFCS activities; including Contract Review Boards (CRB), Justifications and Approvals (J&A), Determinations and Findings (D&F), contracting with Government employees, contract closeout, claims and unauthorized commitments. They perform regularly scheduled Procurement Performance Management Assessment Program (PPMAP) reviews of the NFCS. They serve as Contracting Management Directorate point of contact in support of NAVSUP Deputy Commander (DEPCOM) contracting issues.

The functions of the HCA Oversight team are as follows:

1. Analyze contracting documents that require HCA approval such as formal acquisition plans (AP), acquisition strategies (AS), justification and approvals (J&A), unauthorized commitments, and pre/post-negotiation contract business clearances to ensure compliance with all statutory, regulatory and procedural requirements. They either recommend approval or some other course of action.

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<sup>9</sup> NAVSUPINST 5400.4M "NAVSUP Organization Manual" (15 February 2000)

2. Reviews, analyzes and prepares responses to: Congressional, General Accounting Office (GAO), Navy/Department of Defense (DoD) Inspector General (IG) inquiries and investigations, hot-line complaints, contractor formal protests, as well as claims, disputes, appeals and organizational conflicts of interest (OCI).

3. Prepares applicable responses and, when required, initiate a D&F for approval to award a contract in the face of a protest or to continue performance of the awarded contract.

4. Recommends implementation and coordination of contracting policies and procedures applicable to work performed at Navy Field Contracting System (NFCS) activities and must continually be up to date on issues involving supply/service contracting.

5. Supports all aspects of the PPMAP including coordination with NAVSUP Inspector General (IG) and cognizant NFCS activities, budget formulation and execution, development of PPMAP policies and procedures, review/approval of NFCS self-assessment plans, maintenance of the PPMAP database (which tracks implementation status of PPMAP findings) and submission of annual PPMAP report to the Assistant Secretary of the Navy; Research, Development and Acquisition (ASN (RD&A)). This team provides functional and technical guidance/direction to field PPMAP offices and teams in order to ensure standardization of approach and appropriate management of risk. The employee also participates in PPMAPs conducted by NAVSUP 02 on NFCS activities with an unlimited grant of NAVSUP HCA contracting authority and must accomplish a variety of duties in support of the conduct of the PPMAP. This includes analyzing all aspects of NFCS activity operations. The employee makes recommendations to management on significant aspects of the review and recommends corrective action.

6. Make recommendations on the delegation of NAVSUP HCA contracting authority to cognizant NFCS activities. Ensures appropriate levels of contracting authority are delegated and the properly associated degree of oversight exists so as to manage risks while optimizing NFCS support of customer requirements.

7. Process requests from relief under Public Law 85-804, correction of mistakes in bids, terminations, claims, Non-Developmental Item (NDI) justifications, contracting with Government employees, defective product notifications, and ratification of unauthorized commitments.

8. Act as the focal point for contract closeout issues. Examine interface problems among requiring activities, contracting support activities and contract administration components to assess mission effectiveness of the NFCS and to take any indicated corrective actions.

9. Sponsor and maintain NAVSUP instructions 4200.81<sup>10</sup>, 4200.82<sup>11</sup>, 4200.83<sup>12</sup> and 4200.85<sup>13</sup> contracting policies and procedures to afloat units and field contracting activities.

10. Process for approval Navy/Marine Corps Intranet (NMCI) Information Technology (IT) waivers.

11. Manage the Quality Assurance Self Assessment (QASA) program, which includes ensuring that NFCS activities are performing timely oversight within the program. This team is responsible for monitoring statistics from NFCS concerning results of reviews.

12. Manage the Self-Assessment Plan program by ensuring that NFCS activities have an approved self-assessment plan.

13. Manage the Management Control Program (MCP).

## **B. NAVSUP 00 LETTERS DATED 07 JULY 03 DELEGATING HCA AUTHORITY**

As discussed earlier, there are various HCA oversight responsibilities mandated in the FAR, DFARS and NMCARS. These higher-level regulations establish not only the responsibilities, but to what level that approval may be delegated. There are basically three

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10 NAVSUPINST 4200.81C "Navy Field Contracting System Authority and Responsibility" (08 July 2003) - <http://www.nll.navsup.navy.mil>.

11 NAVSUPINST 4200.82C "Procurement Performance Management Assessment Program (PPMAP) of the Navy Field Contracting System (NFCS)" (09 July 2003) - <http://www.nll.navsup.navy.mil>.

12 NAVSUPINST 4200.83F "Contracting and Business Clearance Procedures and Approvals" (07 July 2003) - <http://www.nll.navsup.navy.mil>.

13 NAVSUPINST 4200.85D "Department of the Navy (DoN) Simplified Acquisition Procedures" (25 Apr 2005) - <http://www.nll.navsup.navy.mil>.

circumstances that relate to HCA authority; the authority is not delegable, it is delegable, or it is delegable, but the lowest level that this authority may be reassigned is mandated.

In order to establish the final level at which approval for the HCA authority resides, a memorandum dated 03 July 2005 was submitted to the HCA<sup>14</sup>. This memorandum also included two letters, both with the subject “Delegation of the Head of the Contracting Activity (HCA) Authority”, that were signed by the HCA at the time (VADM Justin McCarthy). One letter was addressed to the NAVSUP Executive Director (Mr. Jeff Orner) and the other to NAVSUP 02 (CAPT Dave Fitzgerald). Based on this memorandum, including these letters, the HCA authority was distributed among NAVSUP 00, NAVSUP ED and NAVSUP 02/029 as specified in Table 1.<sup>15</sup>

NON-DELEGABLE HCA RESPONSIBILITIES		HCA AUTHORITY DELEGATED TO SUP ED WITHOUT POWER OF REDELEGATION		HCA AUTHORITY DELEGATED TO SUP 02/029 WITHOUT POWER OF REDELEGATION	
REGULATION	TITLE	REGULATION	TITLE	REGULATION	TITLE
NMCARS 5201.691-2	Oversight and Review	FAR 3.104-7(g)	Authority Related to Procurement Integrity Violations or Possible Violations	NMCAG G5201.690	Review and Approval of Business Clearances
FAR 3.602, NMCARS 5203.602	Contracts with Government Employees or Organizations Owned or Controlled by Them	FAR 6.202(b)(1), NMCARS 5206.202	Establishing or Maintaining Alternate Sources	DFARS 206.303-1, NMCARS 5206.303-1(b)	Justification & Approvals (J&A) - authority to specify approval levels for technical and requirements personnel.
FAR 9.503, NMCARS 5209.503	Organizational and Consultant Conflicts of Interest	FAR 6.304(a)(3)	Justifications & Approvals (J&A) - approval between \$10,000,000 to \$75,000,000	FAR 22.101-1(e)	Basic Labor Policies
DFARS 211.273-3(c)	Substitution for Military or Federal Specifications and Standards	DFARS 225.103, NMCARS 5225.103	Buy American Act (Supplies) - Waiver approval between \$1,000,000 to \$2,000,000	DFARS 225.7003, 225.7004, 225.7005, 225.7006, 225.7008, Waiver of Restrictions 10 U.S.C. 2534	Authority to waive the restrictions on certain foreign purchases.
FAR 15.403-1(c)(4)	Prohibition on Obtaining Cost or Pricing Data	FAR 25.202, DFARS 225.202, NMCARS 5225.103	Buy American Act (Construction Materials) - Waiver approval \$1,000,000 or more	DFARS 225.7017-1	Restriction on Ballistic Missile Defense, Research, Development, Test and Evaluation (BMD, RDT&E)
FAR 16.206-3(d)	Fixed-Price-Ceiling Contracts with Retroactive Price Redetermination	Secretary of Defense Memo dated 08 Feb 94	Economy Act - authority to approve determinations for orders placed outside DoD.	DFARS 225.7009	Restriction on Ball and Roller Bearings - Authority to waive restriction for items not manufactured in U.S., Canada or the U.K.
FAR 19.201(c)	SADBU Programs			NMCARS 5233.9001(a)	Claims Approval Requirements - authority for claims less than \$25,000,000
NMCARS 5225.103(b)(ii), DFARS 225.103	Buy-American Act Nonavailability Exception			FAR 50.2, NMCARS 5250.201-70, Public Law 85-804	Authority to exercise authority in Public Law 85-804
FAR 33.104(b)(1)	Protest to GAO Before Award			NMCARS 5206.501	Authority to appoint Competition and Deputy Competition Advocates
FAR 33.104(c)(2)	Protest to GAO After Award			NMCARS 5215.303	Authority to appoint other than the Contracting Officer as the Source Selection Authority.
FAR 33.104(g), NMCARS 5233.104(g)	Notice to GAO				
FAR 19.201(d)(8), DFARS 219.210(d)(8)	Small Business Technical Advisors				

Table 1. HCA Delegated Authority Within NAVSUP HQ

<sup>14</sup> SUP 00 (RADM McCarthy) Letters 21A1/3087 and 3088 dated 07 July 2005 “Delegation of the Head of the Contracting Activity (HCA) Delegation of Authority”

<sup>15</sup> Prepared by William G. Sproule from SUP 00 (RADM McCarthy) Letters 21A1/3087 and 3088 dated 07 July 2005 “Delegation of Head of the Contracting Activity (HCA) Authority”.

Several HCA oversight responsibilities were delegated to NAVSUP 02/029 with the power of re-delegation.<sup>16</sup> It is normal practice that all these responsibilities will be delegated to the Chief of the Contracting Office (CCO). NMCARS 5202.101 defines the CCO as “the official who has overall responsibility for managing the entire contracting office and includes the principal deputy to such official”. Normally a NAVSUP policy letter is issued that identifies all responsibilities that have been delegated to the various CCOs in the NFCS.<sup>17</sup> These responsibilities and any limitations on that authority are as follows:

1. FAR 1.602-3: “Ratification of Unauthorized Commitments” – Authority to ratify unauthorized commitments. This authority is delegated in accordance with enclosure (6) of NAVSUPINST 4200.81F, which is currently set at unauthorized commitments up to \$100,000, for activities that have procurement authority above \$500,000. For activities with less than \$500,000 procurement authority, no authority is granted to ratify unauthorized commitments.

2. FAR 5.404-1, NMCARS 5205.404-1(a): “Release of Long-Range Acquisition Estimates” – Authority to release long-range acquisition estimates.

3. DFARS 205.502: “Paid Advertisements” – Approve the publication of paid advertising in newspapers except for civilian personnel purposes.

4. DFARS 206.302-1(a)(2)(i)(1)(ii): “Other than Full and Open Competition” – Authority to contract for studies, analyses, or consulting services on the basis of an unsolicited proposal without providing for full and open competition.

5. DFARS 206.302-4(c): “International Agreement” – Authority to prepare a document describing the terms of an agreement or treaty or the written directions, such as a Letter of Offer and Acceptance, that have the effect of requiring the use of other than competitive procedures for the acquisition.

6. DFARS 207.103, NMCARS 5207.1(h): “Acquisition Plans” – Authority to approve Acquisition Plans. Also, refer to NAVSUPINST 4200.83F, which currently establishes the approval level at \$100,000,000.

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<sup>16</sup> SUP 00 (RADM McCarthy) Letters 21A1/3087 and 3088 dated 07 July 2005 “Delegation of Head of the Contracting Activity (HCA) Authority”

<sup>17</sup> NAVSUP Policy Letter 99-38 “Head of the Contracting Activity (HCA) Delegation of Authority” dated 14 June 1999

7. FAR 9.202(a) (1): “Qualification Requirements” – Authority to prepare the written justification for establishing a qualification requirement.
8. FAR 14.201-7(b)(2): “Contract Clauses” – Authority to waive inclusion of FAR 52.214-21, “Price Reduction for Defective Cost or Pricing Data – Modifications – Sealed Bidding,” in a contract with a foreign governments or an agency of that government.
9. FAR 14.201-7(c)(2): “Contract Clauses” – Authority to waive inclusion of FAR 52.214-28, “Subcontractor Cost or Pricing Data – Modifications - Sealed Bidding” in a contract with foreign governments or an agency of that government.
10. DFARS 215.404-4(c)(2)(C)(2): “Use of Alternate Structured Approach” – Authority to use an alternate structured approach to profit analysis instead of the Weighted Guidelines Method (DD Form 1547).
11. FAR 16.603-2(c)(3): “Letter Contracts” – Authority to approve a reasonable price or fee for letter contracts when a definitive contract cannot be negotiated.
12. FAR 16.603-3: “Letter Contracts” – Authority to approve a use of a letter contract.
13. FAR 17.106-3(f): “Multi-Year Contracting” – Authority to authorize use of a solicitation requesting only multi-year pricing.
14. FAR 17.106-3(g): “Multi-Year Contracting” – Authority to approve the use of variable unit prices, in a multi-year contract.
15. DFARS 217.7404-1: “Undefinitized Contract Actions (UCA)” – Authority to approve (a) entering into an undefinitized contract action; (b) including requirements for non-urgent spare parts and support equipment in a UCA; and (c) modifying the scope of a UCA when performance has already begun.
16. DFARS 217.7503(d): “Reverse Engineering” - Authority to authorize the use of reverse engineering to develop a design specification for competitive acquisitions when data is not available.

17. FAR 19.502-3(a)(5): “Partial Set-Asides” - Authority to authorize a partial small business set-aside even if only two responses (one from a large concern and one from a small concern) are expected.

18. FAR 19.505(b), DFARS 219.505(b): “Rejecting Small Business Administration Recommendations” – Authority to decide on appeals from SBA representatives on Contracting Officer rejection of SBA recommendation.

19. FAR 22.805(a)(8): – “Obtaining Equal Employment Opportunity Clearance” – Authority to approve award of a contract without preaward equal employment opportunity clearance.

20. DFARS 223.370-4(a)(i): “Safety Precautions for Ammunition and Explosives” – Authority to waive requirements of DOD 4145.26-M “DoD Contractors’ Safety Manual for Ammunition and Explosives” or to waive inclusion of DFARS clause 252.223-7002.

21. DFARS 225.103(a)(ii): “Public Interest Exception” - Authority to approve Buy American Act waivers based on the public interest exception for acquisitions valued at more than \$100,000 but less than \$1,000,000.

22. DFARS 228.311-1: “Liability Insurance Under Cost-Reimbursement Contracts” – Authority to waive the requirement for use of the clause at FAR 52.228-7 “Insurance-Liability to Third Persons.”

23. DFARS 228.370(a)(2): “Insurance for War-Hazard Losses” – Authority to prohibit contractors from buying insurance for war-hazard losses.

24. DFARS 232.703-1(iii): “Incrementally Funded Fixed-Price Contracts” – Authority to approve the use of incrementally funding a fixed price contract for either base services contracts or hazardous/toxic waste remediation contracts.

25. DFARS 233.215(3): “Disputes and Appeals” – Authority to approve use of Alternate I of the clause at FAR 52.233-1, “Disputes” by determining that continued performance is necessary pending resolution of any claim that might arise under, or be related to, the contract.



26. DFARS 235.015-70(c), NMCARS 5235.015-70(b)(ii): “Special Use Allowances for Research Facilities Acquired by Educational Institutions” – Authority to approve special use allowances for research facilities acquired by educational institutions, and to approve increases greater than 15% in the amount subject to such allowance.

27. FAR 42.202(c) (2): “Assignment of Contract Administration” – Authority to approve the delegation of authority to the Contract Administration Office (CAO) to issue orders under provisioning procedures in existing contracts and under basic ordering agreements for items or services identified in the schedule.

28. FAR 45.309(a): “Providing Government Production and Research Property under Special Restrictions” – Authority to determine that Government production and research property may be provided under special restrictions.

29. FAR 48.104-3 (a): “Sharing Collateral Savings” – Authority to determine that collateral savings under Value Engineering Change Proposals (VECP) will not be shared.

30. FAR 13.201 (a), FAR 13.201(g)(1): “Authority To Determine Use Of Increased Micro-Purchase Threshold Authority To Support Contingency Operations or to Facilitate Defense Against or Recovery from Nuclear, Biological, Chemical, or Radiological Attack, The Micro-Purchase” – Authority to purchase supplies or services that, as determined by the head of the agency, are to be used to support a contingency operations or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold.

31. FAR 2.101: “Simplified Acquisition Threshold” – Authority to determine use of increased SAP Threshold Authority to purchase supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack (41 U.S.C. 428a).

**C. DELEGATION OF AUTHORITY TO THE NFCS IN ACCORDANCE WITH NAVSUPINST 4200.81C “NAVY FIELD CONTRACTING SYSTEM AUTHORITY AND RESPONSIBILITY”**

DFARS 202.101 establishes NAVSUP as a contracting activity. As a HCA, NAVSUP implements its delegation of authority to the NFCS in the NAVSUPINST 4200.81 (series). The

current instruction is the NAVSUPINST 4200.81C, dated 8 July 2003. Also, included in this instruction is the authority granted the PPMAP offices located within the Fleet Industrial Supply Centers (FISCs) San Diego, Norfolk, and Sigonella and Naval Regional Contracting Center (NRCC) Singapore to delegate simplified acquisition procedures (SAP) to activities within their region. Additionally, the PPMAP offices establish the limits of the authority, provide the necessary oversight, training and contracting guidance that may be required by these activities. In July 2003, the Lead FISC, FISC San Diego, as NAVSUP Assistant Chief of Staff for Regional Commander Support, has stood-up the office of the Lead Contracting Executive (LCE). The LCE manages all FISC contracting operations as one organization with multiple operating locations. The primary responsibility of the LCE is to determine, assign, and manage all internal delegations of contracting authority to the FISC commanding officers

The NFCS is responsible for contracting for supplies and services throughout the Department of the Navy for which no other contracting activity, office or command is otherwise delegated contracting authority.<sup>18</sup> The NFCS is categorized into four major groups, which are as follows:

- Regional support activities with unlimited authority;
- Activities with limited contracting authority above the micro-purchase threshold;
- Government Commercial Purchase Card (GCPC) based activities; and
- Activities with responsibility for certain commodity groups or specific mission support.

#### **1. Regional Support Activities with Unlimited Authority**

Regional support activities with unlimited authority are the FISCs and the NRCC. These activities are responsible for providing regional contracting support above the micro-purchase threshold to the Fleet, regional commanders and their subordinate activities and other Navy customers outside the cognizance of other Navy HCAs and as requested from joint DoD activities within their regions for requirements in excess of those activities' contracting authority. Regional support includes the establishment of indefinite delivery type contracts (IDTC) for

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<sup>18</sup> Navy Marine Corps Acquisition Regulations Supplement (NMCARS) 5201.601 90(b).

common requirements and for specific activity mission support. Geographical areas of responsibility for contracting support were assigned to the FISCs and the NRCC are provided in Table 2.<sup>19</sup>

Table 2. Geographic Areas of Responsibility

<b>Activities</b>	<b>Location</b>
FISC Norfolk (with PPMAP Office)	All CONUS east of the Mississippi River not otherwise assigned; Europe and Middle East/Southwest Asia requirements with U.S. vendors
FISC San Diego (with PPMAP Office)	All CONUS west of the Mississippi River not otherwise assigned
FISC Jacksonville	North Carolina, South Carolina, Georgia, Florida, Kentucky, Louisiana, Tennessee, Alabama, Mississippi, Texas, Caribbean
FISC Puget Sound	Washington, Oregon, Idaho, Alaska; Japan and Western Pacific requirements with U.S. vendors
FISC Pearl Harbor	Hawaii, Guam
FISC Yokosuka	Japan, Korea
FISC Sigonella (with PPMAP Office)	Iceland, Azores, Great Britain, Europe, Middle East/Southwest Asia and Africa
NRCC Singapore (with PPMAP Office)	Asia/Pacific not otherwise assigned

The above activities must comply with the designated area of responsibility exclusive of assigned commodity groups or specific mission support.

## **2. Activities with Limited Contracting Authority**

Activities with limited contracting authority are NFCS activities with contracting authority above the micro-purchase threshold. Some of these activities are granted authority by the cognizant PPMAP office on behalf of the NAVSUP HCA. For most of these activities, authority is limited to no more than SAP authority. The dollar limit is specified and, where appropriate, authority to issue firm fixed-priced delivery orders and/or delivery orders with cost reimbursable aspects, under IDTC contracts, General Services Administration (GSA) Federal

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<sup>19</sup> NAVSUPINST 4200.81C

Supply Schedules, Government-wide Agency Contracts (GWACs), strategically sourced commodity contracts on the DoD E-Mall and other contracting vehicles established for Government-wide, DoD-wide or Navy-wide use. The PPMAP offices are required to consult with the Deputy Commander, Contracting Management Directorate (CMD) before any delegation of new SAP authority or permanent increases in authority of an activity with existing SAP authority. As of 6 September 2005 NAVSUP currently has cognizance over 38 SAP offices (See Table 3.<sup>20</sup>) An activity that is delegated the standard SAP authority is granted the following:

- Authority to execute purchase orders up to \$100,000;
- Authority to establish blanket purchase agreements (BPAs) and place calls not to exceed \$100,00 against those agreements;
- Authority to issue firm fixed-priced delivery/task orders under IDTC, Federal Supply Schedules and GSA schedules up to the maximum ordering limitation or \$500,000 whichever is lower; and
- Authority to establish a GCPC program for micro-purchases up to \$2,500; issue convenience checks; and issue and place orders with Letters of Agreement between \$2,500 and \$25,000.<sup>21</sup>

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<sup>20</sup> Terry Paraschos; NAVSUP 02 Shared Drive

<sup>21</sup> NAVSUPINST 4200.81C "Navy Field Contracting System Authority and Responsibility" (08 July 2003) - <http://www.nll.navsupsup.navy.mil>

Table 3. NAVSUP HCA (Activities with SAP Authority)

**NAVSUP HCA (Activities with SAP Authority)**  
**\*excludes activities w/ purchase card only and purchase card + ordering authority**

	<u>UIC</u>	<u>Activity Name</u>	<u>Location</u>	<u>Authority</u>
1	N68057	Naval Computer and Telecommunications Area Master Station, Norfolk	Norfolk, VA	\$100,000 Communication Service Agreements(CSA)
2	N00183	Naval Medical Center, Portsmouth	Portsmouth, VA	\$ 100,000
3	N70092	Commander Naval Security Group/N8, Ft. George Meade	FT. Geo Meade, MD	\$ 100,000
4	N61466	Commander Naval Region Mid-Atlantic, Norfolk	Norfolk, VA	\$ 100,000
5	N00168	National Naval Medical Center, Bethesda	Bethesda, MD	\$ 100,000
6	N64223	Naval Medical Research Center, Silver Spring	Silver Spring, MD	\$ 10,000
7	N00015	Office of Naval Intelligence, Washington DC	Washington, DC	\$ 100,000
8	N00161	United States Naval Academy, Annapolis	Annapolis, MD	\$ 100,000
9	N00259	Naval Medical Center, San Diego	San Diego, CA	\$ 100,000
10	N70240	Naval Computer and Telecommunications Station, San Diego	San Diego, CA	\$ 100,000 (CSA)
11	N68095	Naval Hospital Bremerton	Bremerton, WA	\$ 100,000
12	N68660	Naval Computer and Telecommunications Station, Silverdale	Silverdale, WA	\$ 25,000 (CSA)
13	N00950	Naval Computer and Telecommunications Area Master Station, Pearl Harbor	Pearl harbor, HI	\$ 25,000 (CSA)
14	N00206	Naval Air Station Joint Reserve Base, New Orleans	New Orleans, LA	\$ 100,000
15	N00389	US Naval Station Roosevelt Roads	Roosevelt Roads, PR	\$ 100,000
16	N00124	Naval War College, Newport	Newport, RI	\$ 100,000
	(N60978) N49399 / N32411	Commander, Naval Region Northeast (SUBASE New London, CT / Newport, RI)	Groton, CT	\$ 100,000
18	N62604	Naval Construction Battalion Center, Gulfport	Gulfport, MS	\$ 100,000
19	N00203	Naval Hospital Pensacola	Pensacola, FL	\$ 100,000
20	N00204	Naval Air Station Pensacola	Pensacola, FL	\$ 100,000
21	N47634	Naval Computer and Telecommunications Area Master Station, Pensacola	Pensacola, FL	\$ 100,000 (CSA)
22	N00232	Naval Hospital Jacksonville	Jacksonville, FL	\$ 100,000
23	N68084	Naval Hospital Charleston	Charleston, SC	\$ 100,000
24	N00639	Naval Support Activity Memphis	Millington, TN	\$ 100,000
25	N00128	Naval Station Great Lakes	Great Lakes, IL	\$ 100,000
26	N62995	Naval Air Station Sigonella	Sicily	\$ 100,000
27	N32960	Naval Support Activity La Maddalena, Sardinia	Sardinia, Italy	\$ 100,000
28	N66691	Naval Support Activity Souda Bay	Crete	\$ 100,000
29	N63032	Naval Air Station Keflavik	Keflavik	\$ 100,000
30	N62863	Naval Station Rota	Rota, Spain	\$ 100,000
31	N61751	Naval Medical Research Unit Three (NAMRU-3), Cairo	Cairo	\$ 100,000
32	N68096	US Naval Hospital Guam	Guam	\$ 100,000
33	N61755	Commander US Naval Forces, Guam	Guam	\$ 100,000
34	N68292	US Naval Hospital Yokosuka	Yokosuka, Japan	\$ 25,000
35	N68470	US Naval Hospital Okinawa	Okinawa, Japan	\$ 100,000
36	N62814	Naval Medical Research Unit Two (NAMRU-2), Jakarta	Jakarta, Indonesia	\$ 10,000
37	N32778	Commander Fleet Activities, Chinhae	Chinhae, Korea	\$ 50,000
38	N63381	Chief Joint US Mil Advisory Group, Bangkok	Bangkok, Thailand	\$ 25,000

The remaining activities included in this group of limited authority are those that were granted contracting authority above the SAP threshold. These activities are as follows in Table 4:<sup>22</sup>

Table 4. Authority Above SAP Threshold

Activity	Authority
Naval Medical Logistics Command Ft. Detrick, MD	Unlimited to purchase medical personal services, medical supplies and equipment and non-personal service contracts in support of TRICARE and DOD Tri-Service Drug Testing programs; \$1million for other non-personal medical services and supplies; \$100,000 for all non-medical services or supplies; Delivery order authority for other non-personal medical services is limited to the Maximum Ordering Limitation (MOL) against Navy, DOD or Federal Government contracts; Delivery orders placed under Blanket Purchase Agreements against Federal Supply Schedule contracts is limited to the MOL or \$1 million, which ever is lower.
NAVOCEANO Stennis Space Center, MS	\$10,000,000
Naval Media Center Washington, DC	\$500,000 for audiovisual productions; \$25,000 for all other supplies and services.

The instruction also covers authority granted to Navy medical activities. This authority may be further delegated to other Navy medical activities in the geographic regions in excess of those activities' authority up to the delegated authority of the supporting Navy medical activity.

### 3. GCPC Based Activities

NAVSUP 02 has cognizance over all NAVSUP and GCPC within other commands that do not have their own HCA authority. There are approximately 1,200 GCPC activities that NAVSUP 02 delegates authority to via the PPMAP offices. This number includes other Navy HCA activities outside the cognizance of NAVSUP. There are three levels of authority that may be granted under the purchase card program, which are identified in Table 5.<sup>23</sup>

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<sup>22</sup> NAVSUPINST 4200.81C

<sup>23</sup> NAVSUPINST 4200.81C

Table 5. Levels of Authority Under PC Program

Authority Delegation Level	Description
LEVEL 1	<b>Purchase Card (PC) Only</b> – for micro-purchases up to \$2,500; to issue convenience checks
LEVEL 2	<p><b>PC plus Supply Ordering</b> – micro-purchases up to \$2,500; to issue convenience checks; issue oral/electronic firm fixed-priced delivery orders for supplies up to \$100,000 with payment by PC under contracting vehicle supporting Government-wide, DoD-wide or Navy-wide ordering on that basis. Examples are GSA Multiple Award Schedules/GSA Advantage; ITEC Direct; Federal Prison Industries; Blind and Other Severely Handicapped programs.</p> <p>Under this delegation activities may also be granted oral/electronic firm fixed-priced ordering authority under IDTC contracts issued by FISCs/NRCC for common supplies or in direct support of the ordering activity subject to limitations of the specific contracts, up to \$100,000 (or the MOL, whichever is lower) with payment by purchase card.</p>
LEVEL 3	<p><b>PC plus Supply/Service Ordering (with Letter of Agreements Authority</b> - for micro-purchases up to \$2,500; issue convenience checks; issue and place orders under LOAs between \$2,500 and \$25,000; and issue oral/electronic firm fixed-priced delivery orders for supplies/services up to \$100,000 with payment by purchase card under contracting vehicles supporting Government-wide, DOD-wide or Navy-wide ordering. Examples are GSA Multiple Award Schedules/GSA Advantage; ITEC Direct; Federal Prison Industries; Blind and Other Severely Handicapped programs.</p> <p>Activities may also be granted oral/electronic firm fixed-priced ordering authority under IDTC contracts issued by FISCs/NRCC for common supplies/services or in direct support of the ordering activity subject to limitations of the specific contracts, up to \$100,000 (or the MOL, whichever is lower) with payment by purchase card.</p>

The Level 3 delegation includes authority to place firm fixed-priced orders for services. This package shall only be authorized on a case-by-case basis and only after a thorough review and validation of an activity's requirements, experience and training. FAR, DFARS and GSA special ordering procedures shall be strictly complied with when ordering services.<sup>24</sup> This delegation of service ordering authority does not include ordering under cost type contracts or contracts with cost reimbursable arrangements (e.g. labor hour, time and material).<sup>25</sup>

<sup>24</sup> Navy Marine Corps Acquisition Guide (NMCAG) – <http://farsite.hill.af.mil>

<sup>25</sup> NAVSUPINST 4200.81C "Navy Field Contracting System Authority and Responsibility" (08 July 2003) - <http://www.nll.navy.mil>

#### **4. Activities Responsible for Certain Commodity Group or Specific Mission Support**

NAVSUP has granted specific contracting support responsibilities to various activities base on their assigned mission and expertise. The following activities are assigned specific support responsibilities:

- Type Commanders (TYCOMs)
- Aviation Activities with Pilots
- Naval Inventory Control Point (NAVICP), Assistant Chiefs of Staff for Acquisition Community Support, Industrial Support and International Logistics Support
- Navy Exchange Command (NEXCOM)
- Navy Medical Logistics Command (NAVMEDLOGCOM)
- FISC San Diego
- FISC Norfolk
- FISC Puget Sound
- FISC Yokosuk
- Naval Media Center
- Navy Marine Corps Intranet (NMCI) Administrative Contracting Officers

The below paragraphs define the actual responsibilities assigned to the above listed activities. This responsibility cannot be redelegated outside the specific command without prior approval from NAVSUP 02.

a. TYCOMs may grant ships contracting authority up to \$25,000 within the Continental United States (CONUS) or \$100,000 Outside the Continental United States (OCONUS) subject to the following conditions:

- The purchase of the supplies or services is authorized by current directives; and
- The ship's authorized contracting personnel can process the order and arrange for delivery within the time required for the ship's operating schedule or within 30 days, whichever is earlier; and either
- The requirement is critical for scheduled operations and is an emergency requirement (e.g., Casualty Report (CASREP)) or the ship's performance is impaired and may progress to a state in which the ship will not be able to perform its operational mission; or



- The supplies or services are not available at the local supply support activity or supporting shore contracting organizations are not available or cannot process the action in time to meet the ship's operational needs; and
- All such purchases must be supported by the contracting officer's written determination setting forth the facts and circumstances justifying the exercise of such authority per the provisions of NAVSUPINST 4200.85D, "Simplified Acquisition Procedures." The original determination will be maintained in the purchase file.
- The responsibility also authorizes the TYCOMs to grant contracting authority overseas in excess of \$100,000 under the following conditions:
- The requirement is for ship's fuel, subsistence or port services at overseas locations not having local contractual support or the requirement is under unusual and compelling urgency (i.e., for a genuine emergency such that the Government may be seriously injured, financially or otherwise, if the supplies or services are not furnished by a certain date) and cannot be processed through a supporting contracting office.
- Additional guidance and restrictions regarding the local purchase of bunker fuel overseas and in CONUS is promulgated in the NAVPETOFFINST 4290.1A, "Commercial Contracts for Bunker Fuel", and NAVPETOFFINST 4026.1, "Fuel Management Afloat Manual", paragraph 2-1.33. These instructions are available via the Internet at [www.navpetoff.navy.mil](http://www.navpetoff.navy.mil).
- All purchases over \$100,000 (overseas) must be supported by the contracting officer's written determination.
- Requirements over \$100,000 not placed as an order under an IDTC or GSA schedule which cite "unusual and compelling urgency" must include the following statement in the schedule of the contract: "This purchase is made pursuant to Title 10 U.S. Code 2304(c)(2). All contract clauses required by law or the Federal Acquisition Regulation (FAR) to be included in contracts of this class are hereby incorporated by reference." Such purchases must be supported by a Justification and Approval (J&A) per FAR Part 6, but the J&A may be completed after the purchase is made.

b. Aviation activities, with pilots making extended flights who are authorized to use the flight packets under the authority of NAVSUP Publication I, Volume II, paragraph 22417, and/or NAVSUP Publication P-485, Volume I, paragraph 3333, are granted authority to make Standard Form 44 (SF 44)(Order-Invoice-Voucher) purchases. SF 44 purchases made under this authority for supplies and services shall not exceed \$2,500, except aviation fuel and aviation lubricating oil, which shall not exceed the simplified acquisition threshold.

c. The NAVICP, NAVSUP Assistant Chiefs of Staff for acquisition community support, industrial support and international logistics support has procurement cognizance for items under centralized inventory control (items coded as acquisition advice code “C” or “D” by the Defense Logistics Service Center). Other contracting activities may buy material under NAVICP cognizance only to the extent authorized by applicable regulations or instructions or as coordinated with NAVICP. NAVICP also has post-award management responsibility for Navy-wide IT systems contracts as assigned by Space and Naval Warfare Systems Command (SPAWAR) and has lead administrative contracting officer responsibility for the Navy/Marine Corps Intranet contract.

Although the NAVICP is part of the NFCS, they are their own HCA<sup>26</sup> per DFARS Part 2 and do not derived their contracting authority from NAVSUP as HCA.

d. Navy Exchange Command (NEXCOM), the NAVSUP Assistant Chief of Staff for Navy Family Support, is a Non-Appropriated Funds Instrumentality (NAFI) of the DoN with unlimited Non-Appropriated Funds (NAF) contracting authority for supplies and services in support of the Navy Exchange System (NES) and associated programs, including Navy Lodges, Military Sealift Command (MSC) Exchange Program and the Navy Uniform Program. As a NAFI, NEXCOM is not subject to the FAR, DFARS or NMCARS.

e. The Navy Medical Logistics Command (NAVMEDLOGCOM), in accordance with Bureau of Medicine and Surgery (BUMED) requirements, has unlimited authority to purchase medical personal services, medical supplies and equipment and non-personal service contracts in support of TRICARE and DoD Tri-Service Drug Testing programs. Authority for other non-personal medical service contracts is limited to \$100,000. Other BUMED activities have authority to purchase medical equipment and consumable medical supplies, non-personal medical services and personal medical services up to their overall delegated contracting authority level or \$100,000, whichever is lower. Medical centers and Naval hospitals with regional responsibility may purchase medical equipment and consumable medical supplies, non-personal medical services and personal medical services for other BUMED activities with lesser authority.

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26 Defense Federal Acquisition Regulations Supplement (DFARS) - <http://farsite.hill.af.mil>

Approximately 84% of BUMED activities are limited to Level 1 or Level 2 authority. There are currently 17 BUMED activities exercising SAP authority, which were granted by the PPMAP offices. Of the 17 SAP activities, 10 are under the Norfolk PPMAP office, four under Singapore, and two under San Diego and one activity under the Sigonella PPMAP office.<sup>27</sup>

f. FISC San Diego is assigned the responsibility for husbanding contracts in Mexico, the United States West Coast, and the Canadian West Coast.

g. FISC Norfolk is assigned responsibility for husbanding contracts in Central and South America, the United States East Coast/Gulf Coast, the Canadian East Coast and the Caribbean; non-personal medical services over \$1 million; and Standardization of Shipboard Reprographic Equipment (SSRE).

h. FISC Puget Sound is assigned responsibility for direct support of special classified programs and NAVSEA 08, which is responsible for direct support of nuclear programs.

i. FISC Yokosuka, FISC Sigonella, and NRCC Singapore have authority to contract for medical equipment/supplies and personal and non-personal medical services outside the United States with technical coordination with NAVMEDLOGCOM.

j. The Naval Media Center, per NMCARS 5201.601(90) (b) (2), has cognizance for Naval visual information productions. The Naval Media Center's authority (above \$25,000) is limited to audiovisual productions and is capped at \$500,000.

k. Navy Marine Corps Intranet (NMCI) Administrative Contracting Officers (ACOs) – This is an exception to the matrix for “Regional Support Activities with Limited Authority” discussed earlier, FISC NMCI ACO responsibilities are aligned by customer, not by region.

NOTE: The above FISC assignments are subject to change upon Lead Contracting Executive (LCE) review. The LCE is in charge of the consolidation and assignment of product line responsibilities among the FISCs.

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<sup>27</sup> “BUMED Contracting Authority” Presentation; William G. Sproule & Terry Paraschos Update; May 2005

NAVSUP in accordance with FAR Part 1.603 has established procedures to appoint contracting and ordering officers in the NFCS. NAVSUPINST 4200.81C appoints individuals as contracting officers with the power to appoint additional contracting officers. These individuals are:

- The Deputy Commander, Contracting Management, NAVSUP;
- The Assistant Deputy Commander, Contract Management, NAVSUP;
- The Commanding Officer NRCC Singapore
- Further, the instruction identifies individuals that have the authority to redelegate contracting authority. These individuals are characterized as Appointing Officials and are listed below:
  - Commander, NEXCOM and NEXCOM Director, Corporate Contracts (Non-Appropriated Funds Contracting Authority);
  - Commanding Officers of NFCS activities granted contracting authority by NAVSUP or the cognizant PPMAP offices;
  - Commanding Officers of the U.S. Navy Ships up to the limits set by these instructions unless otherwise limited by the TYCOM;
  - Deputy Commander, Contracting Management, NAVSUP
  - Assistant Deputy Commander, Contracting Management, NAVSUP
  - Other officers as may be specifically appointed by Commander, Naval Supply Systems Command.

The contracting officers identified above, the commanding officer or officer-in-charge deriving contracting authority from NAVSUP are authorized to appoint qualified individuals as ordering officers.

## **5. Procedures for Requesting Contracting Authority**

The NAVSUPINST 4200.81C also includes procedures for requesting contracting authority. An activity may request new contracting authority, which may be a permanent increase, in the monetary limitation or scope of the existing contracting authority. The requests vary based on an activity's needs. For instance, an activity may request authority to establish or expand a GCPC program and authority to place orders under contracts, schedules or agreements set up by other contracting activities. One-time increases in contracting authority may be suitable when urgent and compelling circumstances exist that makes it impractical to forward the requirement to the contracting activity that would normally handle the requirement.

Now we will discuss the procedures for requesting contracting authority. As stated earlier, requests for authority up to the simplified acquisition limit has been delegated to the PPMAP offices. These requests must be submitted via the command channels and require the signature of the commanding office or activity head. Contracting authority requests above the simplified acquisition threshold must also be submitted via the command channels, signed by the commanding officer or activity head, and endorsed by the contracting activity currently providing contracting support via the cognizant PPMAP office to NAVSUP 02 for actual approval. The procedures for permanent and one-time requests must include the below information:

- **Permanent increase requests shall provide:**

- The reasons for and factors supporting the request (e.g. increased volume, new customer, new commodity assignments, etc.). If applicable, they shall include the factors that make execution of the acquisition(s) by the normally cognizant contracting activity impractical.

- The approximate number and dollar value of contracting actions provided by other contracting activities within the past fiscal year and projected volume for future fiscal years, including the types of supplies and services that will be bought.

- The number and nature of one-time increases granted within the past fiscal year.

- Planned Office of General Counsel (OGC) legal support, if DoN OGC counsel is not resident at the requesting activity.

- For requests below the simplified acquisition threshold, the purchase methods for which there will be an anticipated need.

- Identification of all individuals (to include position, grade, contracting experience and training) proposed to exercise contracting authority; and

- Documentation of coordination with the normally cognizant contracting activity.<sup>28</sup>

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<sup>28</sup> NAVSUPINST 4200.81C “Navy Field Contracting System Authority and Responsibility” (08 July 2003) - <http://www.nll.navsup.navy.mil>

- **One-time requests shall provide:**

- A complete description of the circumstances justifying a one-time increase, including examination of alternate means of satisfying the requirements, including why execution by the normally cognizant contracting activity is impractical.

- Detailed description of the supplies/services that will be procured including (1) the estimated value, (2) the proposed contract period, (3) proposed method of procurement, and (4) proposed contract type.

- An acquisition schedule indicating planned milestones.

- Identification of all individuals (to include position, grade, contracting experience and training) proposed to exercise the one-time contracting authority; and

- Documentation of coordination with the normally cognizant contracting activity.<sup>29</sup>

## **6. Ratification of Unauthorized Commitments**

This instruction also sets forth guidance for the ratification of unauthorized commitments in accordance with the policy and procedures in FAR 1.602-3 and NMCARS 5201.602-3. An unauthorized commitment is an agreement that is not binding solely because the government representative who made it lacked the authority to enter into a contract on behalf of the government. Only contracting officers acting within their delegated authority are authorized to enter into or modify contracts. Ratification is the act of approving an unauthorized commitment by an official who has the authority to do so.

The procedures for ratifying an unauthorized commitment began with a description of event from the officer or employee who created the unauthorized commitment and shall include the following:

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<sup>29</sup> NAVSUPINST 4200.81C “Navy Field Contracting System Authority and Responsibility” (08 July 2003) - <http://www.nll.navsup.navy.mil>

- A statement signed by the officer or employee describing the circumstances why normal procurement procedures were not followed, what bona fide Government requirement necessitated the commitment, whether any benefit was received, its value and any other pertinent facts; and

- All orders, invoices or other documentary evidence of the transaction. The commanding officer must concur that the commitment should be ratified. This responsibility may not be delegated. After concurrence, the commanding officer shall forward the documentation described above to the contracting officer of the ratifying activity with an endorsement that:

- Verifies the accuracy and completeness of the documentation;

- Describes the measures taken to prevent a recurrence of unauthorized commitments; and

- Provides a complete purchase description and funding for the ratifying contract.

- The contracting officer shall:

- Review the documentation and endorsement provided;

- Ascertain whether there are any doubtful questions of fact;

- Prepare a determination and findings addressing the limitations in FAR 1.602-3(c)(1)-(6);

- Prepare a recommendation to the ratifying official;

- Prepare appropriate contractual documents; and

- Submit the contract and supporting documents to counsel for an opinion as to form and legality and for any additional pertinent comment or advice.

- The ratifying official shall:

- Review the file, and if ratification is proper; and

- Make the appropriate determination and findings.

As specified in section B-1 of this chapter, ratification under \$100,000 may be ratified by the CCO as specified above. For unauthorized commitments at activities without ratification authority, the documentation and endorsement required shall be forwarded to the activity providing regional contracting support.

Ratification in excess of \$100,000 must be forwarded to NAVSUP 02 (as HCA) via the command providing contracting support. Activities authorized to ratify unauthorized commitments shall maintain a record of the action, which include the identity of the contracting office performing the ratification, the dollar value of the ratification action and a copy of the determination and findings.

**D. CONTINUOUS OVERSIGHT MANDATED IN ACCORDANCE WITH NAVSUPINST 4200.83F “CONTRACTING AND BUSINESS PROCEDURES AND APPROVALS”**

Navy Marine Corps Acquisition Guide (NMCAG) G5201.690 establishes certain requirements that are to be met before entering into contracts. This guide specifies, “All significant contracting actions should be subject to some form of review prior to award. The formal review process is conducted and documented through the use of the business clearance. The purpose of the business clearance is to demonstrate that the proposed action conforms to law, regulation, good business practices and DoN acquisition policies.” It further requires that “HCAs should establish written procedures for the review and approval of business clearances” and identifies numerous different contract actions that the business clearance would apply to. NMCAG G5201.690(c) further requires that the “Degree and complexity of documentation required, and approval levels/thresholds, for various actions should be governed by the magnitude and complexity of the action being reviewed.”

As part of the continual oversight process implemented by the HCA at NAVSUP, in accordance with the required HCA oversight responsibility identified in Chapter II, and in accordance with the guidance in the NMCAG identified in the previous paragraph, an instruction has been issued that identifies the procedures and approvals for contracting and business



clearances. The instruction is numbered as NAVSUPINST 4200.83 (Series) “Contracting and Business Clearance Procedures and Approvals”. The latest instruction is NAVSUPINST 4200.83F, which is dated 07 July 2003.

This instruction identifies its purpose as “to update and establish contracting and business clearance procedures and identify the applicable approval levels required”. It further identifies in the scope of the instruction that it applies to all field contracting offices, except afloat units, that obtain their authority and direction from Commander, Naval Supply Systems Command (NAVSUP HQ). The higher level regulations (FAR, DFARS, NMCARS, etc.) identified in Chapter II mandate that various documentation be created and approved prior to issuance of solicitations or award of contracts. This instruction provides the format for this documentation and identifies the approval level based on the document being submitted. The instruction provides the format and approval level for three specific documents; the Justification and Approval (J&A), the Acquisition Plan (AP) and the Business Clearance. Each will be defined and addressed below in further detail.

## **1. Justifications and Approvals (J&A)**

In accordance with FAR Part 6, J&As are required documentation for government contracts where other than full and open competition is being utilized and for contracts that are not being awarded using the simplified acquisition procedures identified in FAR Part 13. The instructions identifies that “with certain limited exceptions, 10 U.S.C. 2304 requires that contracting officers shall promote and provide for full and open competition in soliciting offers and awarding Government contracts”. The policies and procedures to promote for full and open competition are specified in FAR Part 6. This part of the FAR also specifies the format for the required documentation and the approval levels for the documentation. FAR 6.302 specifies the “statutory authorities (including applications and limitations) permit contracting without providing for full and open competition”, those seven exceptions are as follows:

- 6.302-1 – Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.
- 6.302-2 – Unusual and Compelling Urgency.
- 6.302-3 – Industrial Mobilization; Engineering, Developmental, or Research Capability; or Expert Services.
- 6.302-4 – International Agreement.

- 6.302-5 – Authorized or Required by Statute.
- 6.302-6 – National Security.
- 6.302-7 – Public Interest.

The format of the J&A is provided in enclosure (1) to NAVSUPINST 4200.83F and this enclosure specifies that at a minimum the J&A shall contain the information required by FAR 6.303, DFARS 206.303 and NMCARS 5206.303. This enclosure further identifies that the J&A shall also contain a control number, identify the Contract Specialist/Negotiator who prepared the document and indication of counsel review for legal sufficiency.

The approval levels for J&As are specified in FAR 6.304. For proposed contract actions that do not exceed \$500,000 in total, the Contracting Officer is the final approval authority. A higher approval level may be granted by the Agency Head. The “Agency Head” is defined in FAR 2.101 as “the Secretary, Attorney General, Administrator, Governor, Chairperson, or other chief official of an executive agency, unless otherwise indicated, including any deputy or assistant chief official of an executive agency”. In this instance the Agency Head would be the Secretary of the Navy and that individual has not granted any higher approval level. For proposed contract actions that total over \$500,000 and not more than \$10,000,000, the competition advocate for the procuring activity is the approving official. This authority is non-delegable in accordance with FAR 6.304. The competition advocates throughout the NFCS are appointed by the HCA based on the authority granted in FAR 6.501. As previously identified in Paragraph B of this chapter, the HCA has delegated the authority to appoint competition advocates to the Deputy Commander/Assistant Deputy Commander of the Contract Management Directorate (CMD) at NAVSUP. For proposed DoD contract actions that total over \$10,000,000 and not more than \$75,000,000, the HCA (or designee) is the approving official. As previously identified in Paragraph B of this chapter, the HCA has designated this approval authority to the NAVSUP Executive Director (ED).<sup>30</sup> For proposed DoD contract actions that total over \$75,000,000; FAR 6.304(a)(4) identifies the approval authority as “the senior procurement executive of the agency designated pursuant to the Office of Federal Procurement Policy (OFPP)

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<sup>30</sup> NAVSUP Memorandum 22C1/3065 dated 10 July 2003 “Standard Operating Procedures (SOP) for NAVSUP 02 Contract Review Board (CRB)”

Act (41 U.S.C. 414(3)) in accordance with agency procedures. This authority is not delegable except in the case of the Under Secretary of Defense for Acquisition, Technology, and Logistics, acting as the senior procurement executive for the Department of Defense.” For the purposes of the Navy, DFARS 202.101 defines the “senior procurement executive” as the Assistant Secretary of the Navy, Research, Development and Acquisition (ASN (RDA)).

Based on this information, there are two dollar thresholds for J&As that come into NAVSUP for review and approval, the J&As that will be approved by the NAVSUP ED and the J&As that will be approved by ASN(RD&A). The instruction identifies that the J&As that will be approved by the NAVSUP ED shall be submitted to NAVSUP 02. Once received in NAVSUP 02, the J&A is presented at the Contract Review Board (CRB) in accordance with the CRB standard operating procedures (SOP).<sup>31</sup> The instruction identifies that the J&As that will be approved by ASN(RD&A) shall be submitted to NAVSUP 02 and shall contain a transmittal letter to DASN(ACQ) that shall be signed by NAVSUP 02 signifying endorsement. DASN(ACQ) is assigned responsibility for reviewing and staffing actions that require ASN(RDA) approval. Once received in NAVSUP 02, the J&A is presented at the CRB in accordance with the CRB standard operating procedures (SOP).<sup>32</sup> Once the CRB endorses the J&A as acceptable, it is provided to NAVSUP 02 for signature and forwarded to DASN(ACQ) to transmit to ASN(RD&A) for approval.

DASN(ACQ) issued a memorandum dated 27 March 2002 that identified that the processing time for J&As requiring approval from ASN(RDA) was increasing. In order to reduce this approval time, format and additional documentation to be submitted was identified. In order to notify the NFCS of this requirement, NAVSUP Policy Letter 02-21 dated 06 May 2002 was issued. This letter identified that J&A packages that are forwarded to ASN(RD&A) for approval shall also include (1) a J&A that addresses all required information; (2) supporting program planning documentation; and (3) additional information concerning the planned procurement that either ASN(RD&A) has indicated they need included with every J&A package or that answer questions ASN (RD&A) is likely to have. The NFCS activity shall submit supporting

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<sup>31</sup> NAVSUP Memorandum 22C1/3065 dated 10 July 2003 “Standard Operating Procedures (SOP) for NAVSUP 02 Contract Review Board (CRB)”

documentation and assure that the information in the documentation is consistent with the information in the J&A. The shall also include a description of the pricing and incentive arrangements planned for the contract(s) covered by the J&A in the letters used to forward the package to DASN(ACQ). The policy letter contains additional information that should be considered.<sup>33</sup>

## **2. Acquisition Plans (AP)**

NAVSUPINST 4200.83F identifies that FAR Subpart 7.1 “requires agencies to perform some type of acquisition planning for all acquisitions.” As it relates to NAVSUP, there are basically two types of acquisition plans, formal and informal. DFARS Subpart 207.1 specifies what constitutes a formal acquisition plan as follows:

“207.103 – Agency-head responsibilities.

Prepare written acquisition plans for:

(A) Acquisitions for development, as defined in FAR 35.001, when the total cost of all contracts for the acquisition program is estimated at \$5 million or more;

(B) Acquisitions for production or services when the total cost of all contracts for the acquisition program is estimated at \$30 million or more for all years or \$15 million or more for any fiscal year; and

(C) Any other acquisition considered appropriate by the department or agency.”

Informal acquisition plans are required for procurements that do not meet the criteria of the formal acquisition plan. Paragraph 5(b) of the instruction specifies that all APs exceeding \$100,000,000 require NAVSUP 02 approval. This paragraph identifies that NAVSUP authorizes that the Chief of the Contracting Office (CCO) has the authority to approve acquisition plans up to \$100,000,000. NMCARS 5202.101 defines the CCO as ‘the official who has overall responsibility for managing the entire contracting office and includes the principal deputy to

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<sup>32</sup> NAVSUP Memorandum 22C1/3065 dated 10 July 2003 “Standard Operating Procedures (SOP) for NAVSUP 02 Contract Review Board (CRB)”

such official.” The contracting offices are required to establish a review and approval process for procurements below \$100,000,000. The instruction further states, “in contracting offices with less than \$100 million procurement authority, the CCO authority is limited to the activity’s procurement authority.”

All NAVSUP field contracting offices have internal CRB instructions that establish this review and approval process. These instructions, which vary among the different field contracting offices, sets out whether approval levels is with the Contracting Officer, a level above the contracting officer, the field contracting office’s CRB, etc. To what level the approval is set below this \$100,000,000 threshold is left to the CCO’s discretion.

The instruction also includes Enclosure (2), which provides additional guidance concerning acquisition plans. This enclosure specifies the content of the acquisition plan. It provides a reminder to the field contracting offices not to split requirements in order to avoid the formal acquisition plan threshold established at DFARS 207.103. It reminds the field contracting offices that guidance concerning the content of the acquisition plan is available at FAR 7.1 and DFARS 207.1. The instruction also identifies that formal acquisition plans that meet the threshold establish in DFARS 207.1 shall be reviewed by the field contracting activity’s internal CRB.

### **3. Business Clearances**

As stated earlier, NMCAG G5201.6 requires that “all significant contracting actions should be subject to some form of review prior to award. The formal review process is conducted and documented through the use of the business clearance. The purpose of the business clearance is to demonstrate that the proposed action conforms to law, regulation, good business practices and DoN acquisition policies”.

FAR 1.602-1(b) specifies “no contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met”. NAVSUPINST 4200.83F identifies that FAR Subpart 1.6 “requires that the contracting officer ensure that all requirements

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33 NAVSUP Policy Letter 02-21 “Justification and Approvals (J&A) for Other Than Full and Open Competition” dated 06 May 2002

of law, executive orders, regulations and other applicable procedures are met prior to entering into any contract”. The instruction specifies that the purpose of the business clearance is to assist the Contracting Officer to assure compliance with this direction.

Paragraph 5(c) of the instruction specifies that all business clearances exceeding \$100,000,000 require NAVSUP 02 approval. This paragraph identifies that NAVSUP authorizes that the CCO has the authority to approve business clearances up to \$100,000,000. The contracting offices are required to establish a review and approval process for procurements below \$100,000,000. The instruction further states, “for contracting offices with less than \$100 million procurement authority, the CCO authority is limited to the activity’s procurement authority”.

As identified in paragraph D(2) above, all NAVSUP field-contracting offices have internal CRB instructions that establish this review and approval process. These instructions, which vary among the different field contracting offices, sets out whether approval levels is with the Contracting Officer, a level above the contracting officer, the field contracting office’s CRB, etc. To what level the approval is set below this \$100,000,000 threshold is left to the CCO’s discretion.

Enclosure (3) to NAVSUPINST 4200.83F provides instructions, guidance and procedures on how to develop business clearances. More specifically, this enclosure specifies that contracting personnel shall perform independent analysis of the proposals received, use current audit report information already in existence when applicable, and submit negotiation documentation to any office that provides field pricing assistance. It provides clear guidance on the format of the business clearance and the information that should be considered.

The enclosure identifies that a CRB shall be established at each major field contracting activity to provide the necessary oversight. It recommends the type of contractual actions that should be reviewed by the CRB and that the thresholds for CRB should be established “at a level that will ensure a representative sample of all actions receive CRB review and scrutiny commensurate with contracting authority”. It mandates the membership of the CRB at each field

contracting office, the reviews required prior to submittal to the CRB, the timeliness of the submittals and a signature page that verifies approval, disapproval or conditional approval of the CRB case.

Enclosure (3) provides guidance on how CRBs that require NAVSUP approval shall be prepared and submitted by the field contracting office. It identifies a process for the NFCS to submit request for an increase to the CRB approval threshold. The instruction specifies approval thresholds and processes for claims in accordance with NMCARS 5233.9001(a), which states “all proposed claim settlements in excess of \$25 million, and final decisions of the contracting officer involving payments in an amount greater than \$25 million, shall be submitted to DASN(ACQ) for review and approval. Other proposed claim settlements and final decisions of the contracting officer, shall be reviewed and approved as specified by the HCA”. The instruction specifies that all claims between \$1,000,000 and \$25,000,000 (except those of the Naval Inventory Control Point (NAVICP) as their own HCA) shall be approved by NAVSUP.

The enclosure also provides guidance on how business clearances should be processed when performing “alpha negotiations”. As identified in the enclosure, “alpha negotiations are an acquisition reform initiative where negotiations between the Government and a sole source contractor commence early in the acquisition”. These types of negotiations are encouraged so long as the J&A requirements (FAR 6.303-1) and the requirement to establish a pre-negotiation objective (FAR 15.406-1(b)) are met.

**E. REGULARLY SCHEDULED OVERSIGHT IN ACCORDANCE WITH NAVSUPINST 4200.82C “PROCUREMENT PERFORMANCE MANAGEMENT ASSESSMENT PROGRAM (PPMAP) OF THE NAVY FIELD CONTRACTING SYSTEM”**

The DASN (ACQ) memorandum of 27 March 1996, tasked the Navy’s systems Commands to restructure the Procurement Management Review (PMR) process. As stated in the memo the goal was to develop “flexible, performance-based systems, optimized for each major buying activity, to assess acquisition management.”<sup>34</sup> In response, NAVSUP began developing a

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<sup>34</sup> DASN(ACQ) Memorandum dated 27 March 96

new approach to perform reviews of field contracting activities. Over the years NAVSUP has standardized the review process and continually update them as required.

## **1. Overview of the PPMAP Program**

As the PPMAP program manager for NAVSUP command, the NAVSUPINST 4200.82 (series) has been issued to standardize the review process of the Navy Field Contracting System (NFCS) activities. The latest instruction is NAVSUPINST 4200.82C, which is dated 09 July 2003.

This instruction identifies its purpose as “to update policies, procedures and outline responsibilities for the management and execution of the PPMAP within the Navy Field Contracting System (NFCS).” It further identifies in the scope of the instruction that it applies to the NAVSUPHQ PPMAP staff as well as the staffs of the PPMAP offices co-located at the FISCs and the NRCC. This instruction implements and supplements the FAR, DFARS, and NMCARS, and is based on the Department of Defense (DoD) Inspection Program. This instruction identifies that all NAVSUP PPMAP staffs conducting PPMAPs of the NFCS follow the policies and procedures outlined in the instruction. There are four enclosures to this instruction based on the authority levels granted:

- Enclosure (1) is the Guide that applies to the NFCS activities exercising Simplified Acquisition Procedures (SAP);
- Enclosure (2) is the Guide that applies to the NFCS activities exercising Ordering Authority;
- Enclosure (3) is the Guide that applies to the NFCS activities managing Purchase Card Programs; and
- Enclosure (4) is the PPMAP Guide that applies to the NFCS activities with authority greater than SAP.

This instruction states, “enclosures (1) through (3) can be used independently or in conjunction with one another based on the procurement authority of the command being reviewed”.

This instruction also identifies that “the primary objective of the program is to ensure that activities receiving contracting authority and direction from NAVSUP HQ are executing this grant of authority in an effective and efficient manner. PPMAP provides a framework from



which assessments of NFCS contracting activities are performed to evaluate the overall effectiveness of an activity's procurement processes including the issuance of contracts, actions accomplished using simplified acquisition procedures, orders placed against existing contracts and management of Government-wide purchase card programs. NAVSUP HQ, as well as the PPMAP offices, performs PPMAPs to ensure that effective internal controls exist to ensure compliance with statutory and regulatory guidance and management oversight and control is being exercised to meet mission requirements within prescribed limits.”

The primary PPMAP responsibilities assigned to NAVSUP 02 with regard to this instruction are as follows:

(1) To schedule and conduct PPMAPs of FISC Norfolk and its detachments, FISC San Diego and its detachments, FISC Pearl Harbor, FISC Yokosuka, FISC Jacksonville, FISC Puget Sound, FISC Sigonella (formerly NRCC Naples), NRCC Singapore, NAVICP, NAVOCEANO, NAVMEDIACEN, NAVMEDLOGCOM and NEXCOM.

(2) To review quarterly PPMAP reports from the field PPMAP staff.

(3) To prepare annual reports for DASN(ACQ) on PPMAPs conducted by NAVSUPHQ PPMAP staff and PPMAP staff co-located at the FISCs and NRCC.

Table 6<sup>35</sup> identifies the PPMAP cycle for reviews based on the activity's delegated authority.

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35 NAVSUPINST 4200.82C

Table 6. PPMAP Review Cycle

	<b>Review Period</b>	<b>CONUS On-Site Audit</b>	<b>CONUS Desk Audit</b>	<b>OCONUS On-Site Audit</b>	<b>OCONUS Desk Audit</b>
All activities that operate a purchase card program	18-months	Any activity that has more than 3,200 PC transactions every 18-months	Any activity that has 3,200 or less PC transactions every 18-months	Any activity that has more than 3,200 PC transactions every 18-months	Any activity that has less than 3,200 PC transactions every 18-months
All activities that exercise simplified acquisition authority	Every three years	All SAP Reviews	Not Applicable (N/A)	All SAP Reviews	N/A
All activities that exercise ordering authority	18-months	Any activity that issues more than 750 delivery/task orders every 18-months	Any activity that issues 750 or less delivery/task orders every 18-months	Any activity that issues more than 750 delivery/task orders every 18-months	Any activity that issues 750 or less delivery/ task orders every 18-months
All activities that exercise unlimited contracting authority	Every three years	All unlimited activities	N/A	All unlimited activities	N/A

We will discuss the PPMAP oversight process conducted by NAVSUP HQ in accordance with enclosure (4) of the instruction. There are six chapters and 13 attachments that comprise this enclosure. The chapters are identified as follows:

Chapter 1 – PPMAP Review Authority and Review Cycle

Chapter 2 – Policy and General Elements

Chapter 3 – PPMAP Team Composition, Selection and Responsibility

Chapter 4 – The On-Site Review (Including Activity Evaluation)

Chapter 5 – Actions Following A PPMAP On-site Review

Chapter 6 – Self-Assessment/Quality Assurance Plans

The review authority, as prescribe in chapter 1 of enclosure (4), states that “the Commander, NAVSUP established the PPMAP process as the basic method by which

procurement operations receiving NAVSUP HCA authority are reviewed, assessed and reported.” To successfully assess all activities receiving NAVSUP procurement authority, NAVSUP assigns PPMAP responsibility to FISC Norfolk, FISC San Diego, FISC Sigonella and the NRCC Singapore. These procurement operations perform assessments and oversight of activities with less than unlimited authority, including organizations that exercise only purchase card authority. The responsibility to conduct PPMAPs is retained or delegated by NAVSUP 02 as indicated in Table 7.

Table 7. Organization Responsible for Conducting PPMAPs

<b>Command Being Inspected</b>	<b>Organization Conducting PPMAP</b>
NAVSUP claimant activities including: FISC Norfolk and detachments, FISC Jacksonville, FISC Puget Sound, FISC Pearl Harbor, FISC San Diego, FISC Yokosuka FISC Sigonella (formerly NRCC Naples) and detachments Naval Inventory Control Point NEXCOM NRCC Singapore and detachments NAVOCEANO NAVMEDLOGCOM NAVMEDIACEN	NAVSUP 02
NAVSUP CONUS field activities in Eastern and Northeastern region	FISC Norfolk PPMAP Office
NAVSUP CONUS field activities in Southeastern region	FISC Norfolk PPMAP Office, Charleston Detachment
NAVSUP CONUS field activities in Western and Hawaii regions	FISC San Diego PMAPP Office
NAVSUP OCONUS field activities in Europe/Africa/Middle East	FISC Sigonella (formerly NRCC Naples) PPMAP Office
NAVSUP OCONUS field activities in Far East	NRCC Singapore PPMAP Office
Navy Exchanges	NEXCOM

As identified in Chapter II, Enclosure (4) of the instruction and per NMCARS 5201.691, the primary objective of procurement management oversight is to encourage and assist activities in making continuous improvements in their acquisition processes. The instruction further states that oversight provides a mechanism for sharing “best practices” throughout the Navy. This instruction identifies PPMAP as a flexible, performance-based, process-oriented program that

reviews the CCO and their activities' self-assessment processes and procedures. The goal of the PPMAP process is to evaluate and provide valuable feedback in the following areas:

- (1) Integrity of the procurement process;
- (2) Mission accomplishment;
- (3) Management of the contracting function;
- (4) Contract planning, solicitation, source selection and post award function;
- (5) Simplified acquisition procedures including the purchase card program;
- (6) Special interest items;
- (7) Identification of best practices; and
- (8) Improvement possibilities (consulting);
  - (a) Business approaches,
  - (b) Business processes, and
  - (c) Business judgment<sup>36</sup>

This instruction identifies a "Customer Service Standards" which states that during the review, an activity can expect the following from the PPMAP team:

- (1) A professional, courteous and respectful relationship;
- (2) Prompt attention to issues;
- (3) Same day responses;
- (4) If same day responses are not possible, projected response times;
- (5) Genuine effort to understand an activity's unique business;

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36 NAVSUPINST 4200.82C "Procurement Performance Management Assessment Program (PPMAP) of the Navy Field Contracting System (NFCS)" (09 July 2003)

(6) Findings and issues based on an appreciation of the activity's operational environment; and

(7) Training to buyers, negotiators, and other contracting personnel to assist in implementing findings and issues.<sup>37</sup>

Chapter 2 of Enclosure (4) of this instruction further states that throughout the PPMAP review, the assessment team should act more as "consultants" vice "auditors." The overall PPMAP goal of the team's review is to assist the organization in a constructive, positive manner.

NAVSUPHQ PPMAP reviews are conducted on a three-year cycle in conjunction with the NAVSUP Command Inspector General (IG) review, when practicable. An activity review cycle is based on the anniversary date the activity was granted procurement authority. Accordingly, every three years from the date of an activity's grant of contracting authority, the NAVSUP PPMAP team performs an on-site review.

Upon completion of the on-site review, the team summarizes its assessment of the activity's performance and assigns a rating of satisfactory or unsatisfactory. In addition, a draft report is prepared and given to the activity on the last day of the review.

NAVSUP grants contracting authority to Type Commanders (TYCOMs), the reviews for ships are conducted under the Supply Management Assessments Assistance program by the Supply Management Inspection (SMI) staff. The SMI staff review of the Fleet contracting programs, including purchase card programs, coincide with the Inter-deployment Training Cycle and regularly scheduled SMI. The inspections are generally conducted not later than 18 months from the previous SMI. Units not associated with an Inter-deployment Training Cycle should also receive a purchase card review on an 18-month cycle. This instruction states, "The TYCOM may request the assistance of the cognizant PPMAP office in the performance of the unit's regularly scheduled SMI of the purchase operation of the afloat unit exercising contracting authority."

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<sup>37</sup> NAVSUPINST 4200.82C "Procurement Performance Management Assessment Program (PPMAP) of the Navy Field Contracting System (NFCS)" (09 July 2003)

To understand the PPMAP process, this paper will address its structure, the team composition, some of the aspects of the on-site review, and actions following the on-site review.

## **2. Structure of the PPMAP**

NAVSUP utilizes a secured, password protected Internet accessible interactive database to aid in conducting a paperless exchange of information among NAVSUP 02, the PPMAP team members and the field activities in preparation for the on-site review. This database “contains pre-assessment checklists and the activity’s responses; a summary of conditions observed including findings, issues and best practices, activity feedback to findings and suggestions for improving business practices. Also included is a guidance/instruction segment. Primarily, this database is used for all phases of the PPMAP process. Both pre and post PPMAP review actions are addressed through this medium. An example of a page from the PPMAP database is presented as Figure 5. During the PPMAP review a number of critical elements are reviewed. Attachment B to Enclosure (4) of this instruction provides a list of the critical elements to review, which includes strategic acquisition planning, management, human resource management, self-assessment, ordering, purchase card, SAP, large contracts, and special interest items. Included within each element are specific documents to review, see Figure 5.<sup>38</sup>

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<sup>38</sup> Hazel Sumpter; NAVSUP 02 PPMAP Database; 17 November 2005

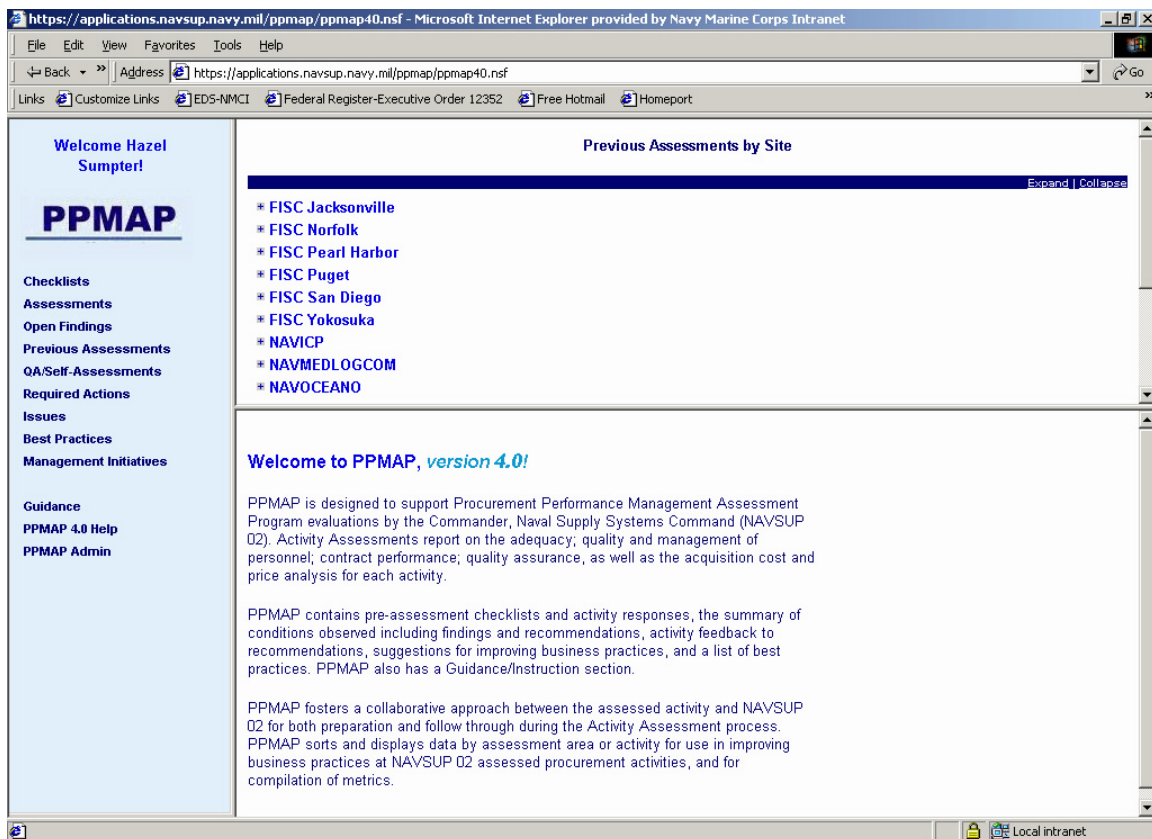


Figure 5. NAVSUP 02 PPMAP Database

Approximately four months prior to a PPMAP the activity is informed via a notification letter of its pending review, which is posted onto the database. The notification letter identifies the scheduled dates of the review period, the Chief Inspector, and the PPMAP Program Manager. The Chief Inspector is usually NAVSUP 02 Deputy Commander or the Assistant Deputy Commander, Contracting Management Directorate. The PPMAP team leaders/members are identified later prior to the review. Also, the notification letter requires the activity to complete the pre-assessment checklists within 30 days prior to the review using the PPMAP database. Attachment C to Enclosure (4) of the instruction provides guidance on completing the checklists, which cover six primary assessment areas and three secondary assessment areas as follows:

Assessment Area 1 – Mission and Organization

Assessment Area 2 – Management of the Contracting Function

Assessment Area 2A – PPMAP Detachment

Assessment Area 2B – Small and Disadvantaged Business Utilization (SADBU)

Assessment Area 3 – Self-Assessment/Quality Assurance

Assessment Area 4 – Contract Planning, Solicitation, Source Selection, and Post Award Functions

Assessment Area 5 – Simplified Acquisition Procedures

Assessment Area 5A – Purchase Card

Assessment Area 6 – Special Interest Items

The completion of the pre-assessment checklists allows NAVSUP to gain familiarity with an activity before the actual on-site visit. The corresponding PPMAP team leader/member will review the information placed in the database by the activity's points of contact (APOC). Preliminary review and discussions are held between the APOC and the PPMAP team member assigned the specific assessment area.

Also discussed in Chapter 2 of Enclosure (4) to the instruction are the procedures for conducting briefs and interviews. Prior to the on-site visit, interviews are scheduled with various individuals of the activity to include management, acquisition workforce, legal counsel, COR, and customers. This process allows direct interaction between the PPMAP team and those involved in the acquisition process. The purpose of the interviews and briefings is so the review team can, “(1) focus attention on specific procurement functions in the acquisition process, (2) determine training needs, (3) learn about corrective actions taken by an activity, and (4) become familiar with plans to support NAVSUP's strategic plan and to implement acquisition reform initiatives.”

#### **1. PPMAP Team Compositions, Selection and Responsibility**

Chapter 3, of Enclosure (4) of the instruction states that as a general rule NAVSUP will base team size and composition on type and volume of contracts and small purchase actions completed in the three years prior to its assessment, the activity's contracting authority level, and the activity's answers to the pre-assessment checklists. The answers to the pre-assessment



checklist may make it unnecessary for some team members to participate in the on-site review. Normally the PPMAP team consist of no more than the following nine members: “(1) Overall team leader, (2) Large contracts team leader, (3) Large contracts team member, (4) SAP team leader, (5) SAP team member, (6) Quality assurance representative, (7) Management systems representative, (8) Small and Disadvantaged Business Utilization Director (if required), and (9) Office of Counsel representative. And as the PPMAP process matures, the requirement for a Large Contracts team member and a SAP team member may be eliminated. Consequently, if the Small and Disadvantaged Business Utilization Director is not required, a team may be as small as six people.”

This chapter also identifies how NAVSUP selects candidates for the PPMAP teams. The candidates for the PPMAP teams are acquired from the following sources: (1) NAVSUPHQ, (2) NAVSUP PPMAP field offices, (3) NAVSUP field activities, and non-NAVSUP personnel. Annually NAVSUP 02 issues its PPMAP schedule for a given fiscal year to the NAVSUP components. Interested individuals from each of the sources volunteer through their supervisors to participate on selected reviews. The nomination procedures/instructions are included in the PPMAP scheduled announcement letter.

This chapter further provides the selection criteria for team leaders/members. It states that NAVSUP selects team leaders and team members with the applicable experience/expertise.

**Team Leader Selection.** NAVSUP 02 designates activity advocates as PPMAP team leaders.

**Team Member Selection.** NAVSUP considers the following factors in PPMAP team selection:

- (a) The type of activity to be assessed,
- (b) Specific assessment requirements (i.e. purchase card, reimbursable service contracts, etc.),
- (c) The nominee’s experience/expertise,
- (d) The nominee’ personal preference,

(e) The nominee's parent activity. (If possible, each field activity directly reviewed by NAVSUP shall have at least one representative participating on at least one PPMAP review per fiscal year.

The PPMAP Program Manager plays a vital role in the PPMAP process. This individual is primarily responsible for all PPMAP matters. This includes update of the PPMAP process whether it is developing, coordinating and/or communicating PPMAP policy with NAVSUP PPMAP field offices; reviewing PPMAP field offices' quarterly PPMAP reports; facilitating all NAVSUP 02 PPMAPs; maintaining records of each PPMAP review; providing feedback on PPMAP trends to NAVSUP 02 and to NAVSUP field activities; maintaining the NAVSUP PPMAP database; soliciting PPMAP team member nominees; providing PPMAP team members with planning information; assisting PPMAP team leaders prior to each review; and frequently serve as the self-assessment/QA and management representative on PPMAP reviews.

## **2. The On-Site Review (Including Activity Evaluation)**

Chapter 4 of Enclosure (4) to the NAVSUPINST 4200.82C provides guidance for conducting the on-site review. The overall purpose of this chapter is to set forth guidelines for which to base the activity's final assessment/rating. During this phase of the process several meetings are held. Specifically, there is an in-brief at the start of the PPMAP review. The purpose of the in brief is to establish a rapport with the activity and discuss the methodology used in conducting the assessment. "If the PPMAP is being conducted in conjunction with an IG command assessment, the PPMAP team will attend an IG pre-assessment meeting." An exit-brief will be conducted at the end of the review. There is an initial team strategy meeting that covers an overview of the PPMAP process, and preparation of the draft report. Daily meetings are held by each team leader, and towards the end of each day the entire team gathers to discuss the day's assessment. Also occurring during the on-site review are the interviews with various activity employees, Contracting Officer's Representatives (CORs), and the activity's customers. The contract files and the activity's processes are assessed. The data is collected daily for which the activity's final rating will be based on. This chapter states, during the review, the PPMAP team will answer basic questions such as:

- a. Is the activity actually reviewing processes?

b. Has the activity taken sound and reasonable corrective actions based on observations and data analysis?

c. What were the outcomes of the corrective actions?

d. Has the activity attempted to define/assess quality using customer surveys, employee surveys, and other tools?

e. How well has the activity documented findings and subsequent actions?

f. Did the activity provide a reasonable rationale for selection of critical acquisition processes for monitoring/review?

g. Has the activity set goals and developed trends using statistical data?

h. Have managerial decisions resulted in favorable trend indicators?

i. Did the sample file review indicate the activity is producing sound, regulatory compliant, high-quality contractual documents?

j. Has the activity proactively/successfully addressed special interest items?"

The on-site review is a challenging and fast paced process as defined by the timeframe for completion of various elements of the PPMAP. Generally the timeframe is as follows:

a. File Review – 5 days

b. Special Interest Items Reviews – 3 days

c. Customer Visits/Review Customer Surveys – 5 days

d. QA Assessments – 5 days

e. Acquisition and Logistics Excellence Initiatives – 4 days

f. Self-Assessment Metrics – 1 to 2 days

g. Strategic Plan Initiatives – 4 days

h. CRB Procedures – 3 days

i. Training Records/Defense Acquisition Workforce Improvement Act (DAWIA) Certifications/Warrants – 2 days

j. Management/Employee Interviews – 4 days

k. COR/Ordering Officer Interviews – 3 days

l. Training/Discussion by PPMAP Team – 1 day

This chapter also addresses the preparation of the draft report. This document is the final product of the review. It consists of an overall assessment on the strengths and weaknesses of the activity contracting functions. The draft report is completed on site, and it is the responsibility of the PPMAP Program Manager to ensure that a copy of the report is given to the activity. The information contained in the report is of no surprise to the activity because daily they are briefed on systemic problems found that may potentially lead to a finding, which requires a corrective action. The report also identifies the activity's best practices and issues. This chapter defines a "best practice" as an area in the activity's operations in which it has developed outstanding processes, procedures, methodologies or initiatives. A "finding" is determined based on the condition stated above and an "issue" is a modification that has potential for improving the activity's policies, processes or procedures. Also included in the draft are recommended corrective actions. At the exit brief, the PPMAP team leader is authorized to announce a

"satisfactory" rating and inform the activity that all assessments are "draft" until the final report is signed by the Deputy or the Assistant Deputy, CMD. An "unsatisfactory" rating requires a determination from NAVSUP 02.

### **3. Actions Following a PPMAP On-Site Review**

At the completion of the on-site review, there are still several actions that must be finalized. Chapter 5 of Enclosure (4) of the instruction lists the actions as follows:

a. Submission of the activity's assessment of the PPMAP;

b. Finalizing the PPMAP report;

- c. Submission of implementation status reports by the assessed activity; and
- d. Closure of the PPMAP Report.

The assessed activity is given an opportunity to critique the PPMAP review process and the team. This assessment is accomplished online using the PPMAP database. As previously stated in paragraph (4) of this section, the PPMAP report is the final product of the review and it is the PPMAP Program Manager's responsibility to ensure a copy of the draft report is left at the assessed activity. Upon returning to the office the PPMAP Program Manager has ten working days to finalize the report, which requires obtaining the appropriate signature. The signed report is posted onto the database by the PPMAP Program Manager. The assessed activity is notified of this action via an email. If there are any findings in the report, an Implementation Status Reports (ISR) is due from the activity within 30 day of the posting of the final PPMAP report. An implementation status report is prepared for each finding and includes a plan of action and milestones (POA&M), which contains a detailed description of each corrective action taken or intended to implement each required action. The ISR will be reviewed by the PPMAP team leaders via the database, and if the team leaders consider the ISR closed he/she will mark the report "completed" and no further action by the activity is required. If further action is required or if there are questions, the PPMAP team leaders will document the action in a "response to site" form. This process continues until the team leaders are satisfied with the corrective action taken by the assessed activity.

Previously it was stated that the assessed activity may receive a "satisfactory" or "unsatisfactory" rating based on the review. If the PPMAP review resulted in an "unsatisfactory" rating, NAVSUP 02 will revoke the procurement authority and request a POA&M for all findings within 15 days of the issuance of the PPMAP report. The plan must include milestones that show substantial improvements within two months of the issuance of the report. At the end of the two months, NAVSUP 02 will perform an extensive follow-up review of the activity's ISR, and make a determination regarding the reinstatement of the procurement authority. At the end of six months, NAVSUP 02 will conduct a complete follow-up review of the activity. The review will concentrate on actions awarded subsequent to the two months follow-up review. A new PPMAP report will be issued, and it will contain a separate section to

directly address each required action cited in the original report. “To obtain a “satisfactory” rating, the activity must demonstrate substantial improvement in all deficient areas.” It is further noted that if an activity’s procurement authority is revoke, the activity must bear all associated costs for an assist visit.

## **F. IMPLEMENTATION OF SELF-ASSESSMENT PLANS**

It is the ASN(RD&A) goal to develop flexible, performance-based systems at each of its major buying activities to assess contracting management.<sup>39</sup> In pursuit of this goal, NAVSUP developed the PPMAP to evaluate the performance of contracting organizations using NAVSUP Head of Contracting Activity (HCA) authority. Since 01 October 1997, NAVSUP has advocated (through the PPMAP process) the development of self-assessment plans across the NFCS.

NAVSUP is currently developing an instruction requiring self-assessment plans from each of the field contracting offices. The instruction will contain an enclosure containing NAVSUP’s self-assessment plan template, along with certain required contracting processes that NFCS activities shall incorporate into their self-assessment plan. The purpose of the template is to assist NFCS activities in developing their own comprehensive, formalized self-assessment plan to monitor critical contracting processes. The field contracting office will be required to consider their unique environment, requirements, and needs when selecting critical contracting processes for monitoring and the collection of the associated data. The NFCS activities are free to select their own unique critical contracting processes to monitor, however, NAVSUP will require certain critical contracting processes to be measured. The development of a standardized self-assessment plan will enable the Chiefs of the Contracting Offices (CCOs), COMFISCs, and NAVSUP to validate the integrity of contracting operations on an on-going basis.

It is proposed that each self-assessment plan will contain four main assessment areas along with goals, strategies, tools, and rationale for each area. The instruction will also provide detailed information regarding frequency of assessments, standards of performance, and measurement techniques for each area. Table 7 shows the four assessment areas, and the components of these areas, which are as follows:

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<sup>39</sup> DASN(ACQ) Letter of 27 March 1997

Table 8. Components of Self-Assessment Plan

Assessment Area	Component	Description
Customer	Goal	Continuously satisfy the customer's requirements in terms of responsiveness, cost, quality, and timeliness of the delivered product or service.
	Strategy	Continuously engage in proactive and open communications with the customer to identify their expectations, solicit their feedback, and ensure customer satisfaction.
	Tools	Use customer survey form and electronic communications.
	Rationale	This area was selected to assess the field contracting office's performance of its primary role in the Federal Acquisition System, of satisfying the customer's requirements in terms of cost, quality, and timeliness of the delivered product or service.
People	Goal	Promote a work environment that fosters communications, job satisfaction, empowerment, professional growth, integrity, and ethics.
	Strategy	Empower contracting employees with Contracting Officer authority, commensurate with their position, to solicit, award, and administer contract actions. Invest in developing the knowledge, skills, and abilities of the contracting workforce by providing training opportunities, use of Individual Development Plans (IDP), the Defense Acquisition Workforce Improvement Act (DAWIA) Certification, and Acquisition Professional Community (APC) membership.
	Tools	Use employee survey and measure warranting, training hours, IDPs, DAWIA Certifications, and APC membership.
	Rationale	This area was selected for assessment as the field contracting office plans to accomplish its mission by the efforts of an empowered, highly trained, and professionally certified workforce that provides and maintains a high level of customer satisfaction.
Process	Goal	Execute best value procurement actions in a timely manner that adhere to procurement regulations and sound business practices.
	Strategy	Use written work processes that identifies tasks, assign responsibilities, and lists completion timelines for various types of procurement actions. Proactively communicate with internal and external activities to ensure that best practices are incorporated into the work processes.
	Tools	Use transactional reviews, Procurement Desktop Defense (PD2) and CitiDirect Adhoc Reports, and Procurement Management Reporting System (PMRS) data.
	Rationale	This area was selected to assess if the field contracting office effectively performs contract tasks that maintain the public's trust, fulfill public policy objectives, and conform to procurement regulations while providing and maintaining a high-level of customer satisfaction.
Financial	Goal	To achieve cost savings through efficient processing of procurement actions.
	Strategy	Analyze costs incurred to process contract actions and identify ways to be more cost-efficient such as streamlining procedures, increasing uniformity, and balancing workload among NRCC Contracting Offices.

	Tools	Use PD2 and CitiDirect Adhoc Reports, PMRS data, and labor cost information to assess if additional efficiencies can be realized.
	Rationale	This area was selected to assess if the field contracting office efficiently completes contract tasks and maximizes use of its personnel resources, while providing and maintaining a high-level of customer satisfaction.

Each contracting office will delegate a Quality Assurance Program Manager (QAPM) who shall be responsible for ensuring that self-assessments are carried out in accordance with the self-assessment plan. To assist the QAPM in carrying out self-assessments, a Quality Assurance Review Team (QART) shall be comprised to conduct self-assessment reviews. The QART shall consist of personnel from individual contracting branches, which shall perform this function as a secondary duty. A Contracting Management Board (CMB) shall be responsible for reviewing the results on a regular basis to monitor procurement/acquisition processes and ensure continuous process improvements are being achieved.

After the results are approved by the CMB at the field contracting office, they shall be forwarded to NAVSUP 02 for approval. The NAVSUP 02 HCA Oversight team member assigned to the activity (as later defined in Table 9) shall review the quarterly results and will present them to a review board for approval. The make up of this review board has not yet been determined. It is anticipated that the results from the second quarterly submittal shall be presented by the CMB at the field contracting office to the NAVSUP 02 review board, via VTC, for approval. It is anticipated that successful review and approval by the NAVSUP 02 review board of four to five consecutive quarterly results and the successful outcome of a PPMAP review will result in the NFCS office being certified.

Results of all self-assessment reviews will be used to develop training, make policy changes, and otherwise implement continuous improvement of field office's contracting management processes. Metrics from these reviews will be electronically available on a shared drive and posted onto a collaboration website for review by supervisors and employees.

#### **G. NAVSUP 02 CUSTOMER SATISFACTION SURVEY PROCESS**

NAVSUP 02 conducts two different Customer Satisfaction Survey Processes. The first survey from the NAVSUP Contracting Directorate is a manual process of its customers. The



current NAVSUP 02 Customer Satisfaction Survey on file is dated 10 July 2003. The Survey Instrument measures twenty-two services provided by NAVSUP. The following services are:

1. Business Clearance/Pre-Post Negotiation Memorandum (PNM) Processing
2. PPMAP (NAVSUP Review of Your Activity)
3. Purchase Card APC Oversight
4. J&A Processing
5. Turnaround Time For Processing D&Fs, J&As, APs, PNMs
6. D&F Processing
7. Acquisition Plan (AP Processing)
8. Senior Acquisition Conferences and Video Teleconference (VTC)/Communication
9. Business Planning
10. Naval Contingency Contracting Program Coordination
11. Management of Congressional Inquiries
12. Management of Audits (Naval, DoD, GAO, etc.)
13. Daily Field Operations Support (NAVSUP 22)
14. Development/Management of Metrics
15. Strategic Planning
16. Development/Implementation of New Initiatives
17. Development of Policy
18. Sharing Contracting knowledge/Best Practices
19. Management of Data Calls
20. Mgmt of Process Automation/Electronic Contracting (SPS, NECO, ITIMP, PMPRS, RAs, Marketplace)
21. Workforce Mgmt (DAWIA, Contractor Learning, Acquisition Professional Community Training, etc.)
22. Overall Rating of NAVSUP 02

Surveyed activities ranked the effectiveness of services provided by NAVSUP 02 and how important these services were to their activity. The following NAVSUP Contracting offices participated in the survey; FISC Jacksonville, FISC Norfolk, FISC Puget Sound, FISC San

Diego, FISC Pearl Harbor, FISC Yokosuka, NAVICP, NRCC Naples, NRCC Singapore, NAVOCEANO, and NEXCOM.

An analysis of the 2003 survey results will be outlined in Chapter IV. NAVSUP 02 staff confirmed the manual NAVSUP 02 Customer Satisfaction Survey is not an annual requirement and that the next NAVSUP 02 survey will be conducted in FY 06.

Per NAVSUP 02 staff, “The NAVSUP 02 manual survey results complied and presented to respondents during routinely held meetings with upper management. For example, survey results are presented during either monthly VTCs with NAVSUP contracting activities or during our annual Senior Contracting Council meetings. The dissemination of the information is dependent upon on the timing of which it is conducted.

The NFCS offices information is provided to respondents in soft copy form. The information is related to a given point in time, at this current time, there has been no need to continually revisit the information.

Based on the results of the survey, NAVSUP 02 and the NFCS offices work with respondents in developing appropriate plans of action to address and/or resolve any areas within the survey that need attention. The intent of the survey is to improve customer satisfaction by evaluating performance within our key processes.”

The second survey is for the NFCS offices. We will briefly describe the process, but not go into detail during the analysis and recommendation portion because the focus of this project addresses implementation of the HCA oversight authority, the delegation of the HCA authority, and the processes implemented to maintain the integrity of the HCA oversight responsibility.

Through the use of computers and technology, the contracting offices and NAVSUP 02 have the tools to easily collect customer satisfaction data through a web-based Customer Satisfaction Survey located at <http://www.neco.navy.mil/contracting/>. NAVSUP requires NFCS offices to survey customers regarding their level of satisfaction of the field activities’ contracting performance. The NAVSUP 02 Customer Satisfaction Survey website provides a means for customers to submit their surveys electronically. The survey takes about a minute to complete and allows NAVSUP 02 and the NFCS activities to address areas of customer concern as well

as to recognize contracting personnel who have provided outstanding service. Customers can also use this survey as a venue to provide comments to NAVSUP on any area or particular interaction they experienced with the NFCS.

We confirmed the following methods are used for distribution of results. Per NAVSUP 02 staff, “NFCS customer satisfaction results are sent via email automatically when a customer completes a survey. The survey is sent to the designated point of contact for the activity. NFCS survey results are also provided to activities on a quarterly basis through a soft-copy PowerPoint Presentation.

In addition to accessing each customer survey, activities' designated points of contact can access any survey of their choosing through the designated website respondents use to complete customer satisfaction surveys. The website permits authorized users to view completed customer satisfaction surveys.

Based on the results of the survey, NAVSUP 02 and NFCS activities will work toward developing appropriate plans of action or immediate action, if feasible, to address/resolve any areas within the survey that customer identified as needing attention. The intent of the survey is to improve customer satisfaction by evaluating performance within areas that have been determined to be most important to satisfying customer requirements.”

## **H. CHAPTER CONCLUSION**

This chapter focused on the implementation of the HCA oversight authority, the delegation of the HCA authority, and the processes implemented to maintain the integrity of the HCA oversight responsibility. In the next chapter, Chapter IV, this implementation, delegation and maintenance of the HCA oversight responsibility will be examined. This paper will look to identify strengths and weaknesses in each one of these areas.

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#### **IV. ANALYSIS OF THE HCA OVERSIGHT PROCESS**

In order to analyze how successful the HCA oversight process is, there were several areas where data is maintained that needed to be accessed and analyzed. For CRBs, the log of CRB cases is maintained in the NAVSUP 02 Tracking In-House Correspondence (TIC) System, which is located on a shared hard drive within NAVSUP that all procurement analyst in NAVSUP 02 have access to. This system has been in place since April 2004. The TIC System is used to track all contracting actions performed in NAVSUP CMD and requires that each action is assigned a TIC number. An example of the log page in the TIC System is presented in Figure 7.<sup>40</sup> As may be seen in this figure, the lower right hand part of the screen contains a cell with a drop down box where you can input the type of action that is being performed, with “CRB Case” being one option. All APs and Business Clearances are to be coded as this type of action. The CRB SOP requires that all CRB cases are tracked.<sup>41</sup> Based on the CRB cases being coded as such, a report may be run that identifies all actions that have been presented to the NAVSUP 02 CRB.

A feature of the TIC System is that all electronic files associated with a CRB case are now maintained on a shared drive. The electronic file is designated by the TIC number assigned to the case. Previously, searching for a CRB case could be a time consuming process based on having to deal directly with the procurement analyst to obtain the information needed. Now this information is clearly identified (based on the TIC number) and the documents may be accessed by all individuals with access to the shared drive.

Prior to Apr 2004, the CRBs were tracked in an Excel spreadsheet CRB log that was also maintained on a shared hard drive. Also, hard copies of the CRB Summary documents were maintained in a hard copy CRB log. The CRB Summary and all associated documents submitted

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<sup>40</sup> William G. Sproule; NAVSUP 02 TIC System; 27 August 2005

by the field contracting activity are maintained in a separate folder. This folder is stored in a file cabinet that is designated by the specific field contracting office that submitted the CRB case. The procurement analyst also maintained an electronic version of all documents on their hard drive.

In order to identify spending trends to determine appropriate approval levels for CRBs, information was obtained from Program Management Reporting System (PRMS). This is where information is compiled as reported on the DD Form 350 “Individual Contracting Action Report”. A DD Form 350 is required to be completed for each contracting action that exceeds \$2,500 in value.

The screenshot displays the 'Microsoft Access - [Correspondence Log Test 2]' application window. The interface includes a menu bar (File, Edit, View, Insert, Format, Records, Tools, Window, Help) and a toolbar. The main form is titled 'NAVSUP 02 Document Control# 312' and features several sections:

- 1. Correspondence Information:** Contains fields for Receipt date (6/1/2005), Correspondence date (5/27/2005), Correspondence source (FISC Norfolk/Phila), 'Other' source name, and Subject (PRE-SOLICITATION CLEARANCE; ADVERTISING SERVICES; \$450M).
- 2. Assignment Information:** Includes Division Assigned (HCA Oversight), Person Assigned (Sproule, Bill), Date Assigned (6/1/2005), Due Date (6/3/2005), Interim Due date, and Extended Due date.
- 3. Routing Comments:** A table with columns for 'To' and 'From' (e.g., 02S/230, 021X/231, 021/COS, 022/COD, 93, 029, 02, 00, ED, COS, Other) and a 'Comments' column. The comment for 029 states: 'CRB approved the clearance and SUP 029 approved the AP on 03 Jun 05'. The comment for ED is 'Signed'.
- 4. Close Out Information:** Includes Status (Closed), Action/Info (Action Required), Date Closed (6/10/2005), Category (CRB case), Serial #, Policy #, and SSIC.

The bottom of the window shows a record navigation bar (Record: 310 of 377) and a Windows taskbar with various icons and the system clock (13:44).

Figure 6. Sample NAVSUP TIC System Log In Page

41 NAVSUP Memorandum 22C1/3065 dated 10 July 2003 “Standard Operating Procedures (SOP) for NAVSUP 02 Contract Review Board (CRB)”

In order to analyze the results from the latest PPMAP cycle, which is three years including FY 03, FY 04 and FY 05; the PPMAP Database was accessed. Also, the PPMAP report that is completed at the end of the PPMAP review at each field contracting office is maintained on a shared drive under the “HCA Oversight” section. This section contains a PPMAP file that contains subfolders labeled by each fiscal year and each fiscal year folder contains folders for each field contracting office that was evaluated in that particular fiscal year. As stated earlier, the folders over the past three fiscal years (FY 03 – FY 05) were accessed.

#### **A. IMPLEMENTATION OF THE HCA OVERSIGHT RESPONSIBILITY WITHIN NAVSUP**

The two senior members of HCA Oversight team were tasked with the responsibility of establishing a distribution of the workload based on the reorganization in NAVSUP 02. Management established parameters that were to be maintained while this effort occurred. They were, besides distributing the work fairly among the three-team members, to make the members interchangeable and function as a team. This effort went forward with the understanding that all team members will have the same position description (PD) and will have the same performance plan, which includes identical critical elements. Also, management wanted some of the PPMAP Program Management functions to remain constant from the original organizational structure. Specifically, that the person that is assigned Code NAVSUP 215 would keep the program management function, which included coordination responsibilities for all PPMAP reviews.

The first step in the process was to identify all responsibilities assigned to the HCA Oversight team. In order to assure that the HCA responsibilities were assigned to an individual of the HCA Oversight team, numerous meetings were held among team members, the NAVSUP 02 Chief Operating Officer (COO), the Chief of Staff (COS), the Deputy Director, etc. After months of discussions and meetings concerning this effort, the responsibilities of the HCA Oversight team were assigned and distributed to the team members in October 2005. Table 9 was also forwarded to all other members of NAVSUP CMD, including management, so that all personnel

know who is assigned what responsibilities within the HCA Oversight team. These responsibilities are illustrated in Table 9.<sup>42</sup>

Table 9. NAVSUP HCA Oversight Team Responsibilities

Code	NASUP 215	NAVSUP 216	NAVSUP 221
<b>Activities</b>	FISC Pearl Harbor FISC Puget Sound FISC Yokosuka	FISC Norfolk FISC San Diego/LCE NRCC Singapore FISC Sigonella NAVSUP HQ	FISC Jacksonville NAVMEDLOGCOM NAVICP NEXCOM NAVOCEANO NAVMEDIACEN
<b>Individual Assignments</b>	1. PPMAP – Program Manager (Includes Lead on all PPMAPS) 2. 4200.82 (PPMAP (incl. SA Plan Policy)) Advocate 3. Annual Report to DASN(ACQ) 4. Coordination/ Advocate with NAVSUP IG 5. PPMAP Office Support	1. QASA – Program Manager 2. Management Control Program – Program Manager 3. 4200.83 (CRB) Advocate 4. 4200.81 (Authority) Advocate	1. Purchase Card Program Manager 2. SAP Program Manager 3. Contract Close-Out Management 4. One Time Procurement Authority 5. Recovery Audits 6. 4200.85 (SAP) Advocate
<b>Shared Functions By Activity</b>	1. AP Approval* 2. Business Clearance Approval* 3. J&A Approval* 4. Economy Act D&F* 5. Appointment of SSA 6. PPMAP (Lead, All Activities) 7. Unauthorized Commitments 8. Protests 9. Claims 10. Government Hire Approval* 11. Contract Type Approval 12. Self-Assessment Plan Approval 13. NFCS Authority 14. Congressional Inquiries** 15. Competition Advocate Appointment 16. NMCI IT Waivers	1. AP Approval* 2. Business Clearance Approval* 3. J&A Approval* 4. Economy Act D&F* 5. Appointment of SSA 6. PPMAP (Support, Assigned Activities) 7. Unauthorized Commitments 8. Protests 9. Claims 10. Government Hire Approval* 11. Contract Type Approval 12. Self-Assessment Plan Approval 13. NFCS Authority 14. Congressional Inquiries** 15. Competition Advocate Appointment 16. NMCI IT Waivers	1. AP Approval* 2. Business Clearance Approval* 3. J&A Approval* 4. Economy Act D&F* 5. Appointment of SSA 6. PPMAP (Support, Assigned Activities) 7. Unauthorized Commitments 8. Protests 9. Claims 10. Government Hire Approval* 11. Contract Type Approval 12. Self-Assessment Plan Approval 13. NFCS Authority 14. Congressional Inquiries** 15. Competition Advocate Appointment 16. NMCI IT Waivers

<sup>42</sup> William G. Sproule, Last Modified 06 October 2005



<b>Shared Functions (As Needed)</b>	1. CRB Participant 2. DASN (ACQ) PPMAP Support 3. Coordination of PPMAP Conference	1. CRB Participant 2. PPMAP (Large Contracts) 3. DASN (ACQ) PPMAP Support 4. Coordination of PPMAP Conference	1. CRB Participant 2. PPMAP (Large/SAP Contracts) 3. DASN (ACQ) PPMAP Support 4. Coordination of PPMAP Conference
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\* Support to SE advocate assigned action.

As may be seen in Table 8, all of the major field contracting offices have been assigned responsibility to one of the three procurement analyst that make up the HCA Oversight team. The person assigned code NAVSUP 215 has responsibility for the “shared functions by activity” listed in the table for FISC Pearl Harbor, FISC Puget Sound and FISC Yokosuka. Code NAVSUP 216 is assigned the same recurring responsibilities for FISC Norfolk, FISC San Diego/LCE, NRCC Singapore, FISC Sigonella and NAVSUP HQ. Code NAVSUP 221 is responsible for FISC Jacksonville, NAVMEDLOGCOM, NAVICP, NEXCOM, NAVOCEANO and NAVMEDIACEN. So, for example, if an unauthorized commitment occurs and FISC San Diego has responsibility for ratify the action, code NAVSUP 216 is responsible for reviewing the action and obtaining the required approval for the action to be completed. As may be seen in the table above, some functions include an asterisk, which identifies that the HCA Oversight individual will support the Strategic Engagement (SE) individual performing that function. The new CRB standard operating procedures (SOP) that is being established, identifies that the SE individual has the lead on the action and that the HCA Oversight individual provides input concerning meeting regulatory & statutory requirements and policies. The HCA Oversight individual is an assigned member of the CRB to ensure that applicable statutes, regulations, and policies are being met.

The table also identifies that the program management duties that are the responsibility of the HCA Oversight team have been individually assigned to team members. As may be seen, programs requiring this oversight are as follows: PPMAP, Management Control Program, QASA, Purchase Card, Contract Closeout and SAP programs. Individual assignments also include responsibility for the four instructions that are assigned to the HCA Oversight team. These four instructions pertain to the programs assigned to this team and relate to the overall

HCA oversight responsibility. These NAVSUP instructions are 4200.81 (Series) “Navy Field Contracting System Authority and Responsibility”; 4200.82 (Series) “Procurement Performance Management Assessment Program (PPMAP) of the Navy Field Contracting System (NFCS)”; 4200.83 (Series) “Contracting and Business Clearance Procedures and Approvals”; and 4200.85 (Series) “Department of the Navy (DoN) Simplified Acquisition Procedures”. As may be deduced, there is a logical rationale for the assignment of the instructions. For example, the same

person who is the PPMAP Program Manager has responsibility for the PPMAP instruction, the same person who is assigned as the SAP Program Manager has responsibility for the DoN SAP instruction, etc.

The remaining responsibilities “shared functions (as needed)” identify tasks that may be required of individual team members, but are not their specific responsibilities. For example, DASN(ACQ) may request support on one of their PPMAP reviews. Although code NASUP 215 is not assigned that specific responsibility, he may be requested to support that effort nonetheless. These responsibilities are not all inclusive either, other duties may also be assigned as required to support the overall responsibilities of the NAVSUP CMD. Table 8 has been reviewed and approved by NAVSUP 02 management and that means that all HCA delegated responsibilities have been appropriately assigned.

## **B. NAVSUP 00 LETTERS DATED 07 JULY 2003 DELEGATING HCA AUTHORITY**

### **1. Issue – Cited Authority in HCA Delegation Letter is Outdated**

A review was performed of all authority cited in the delegation letters to ascertain the accuracy of the cited authority.<sup>43</sup> Several cited authorities were inaccurate since the letters contain references to the Navy Acquisition Procedures Supplement (NAPS). These letters were issued prior to the NAPS being replaced by the NMCARS. Also, in some instances the reference now pertains to the Navy Marine Corps Acquisition Guide (NMCAG) instead of the NAPS, and not the NMCARS.

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<sup>43</sup> SUP 00 (RADM McCarthy) Letters 21A1/3087 and 3088 dated 07 July 2005 “Delegation of Head of the Contracting Activity (HCA) Authority”

## 2. Issue – HCA Delegation Letters Issued by Previous HCA

The letters that delegate the HCA authority<sup>44</sup> were signed by the previous HCA (RADM Justin McCarthy). A change of command occurred at NAVSUP HQ in June 2004, which resulted in a new HCA (RADM Daniel Stone). Also, after the previous HCA delegation letters were issued, policy letter 99-38 dated 14 June 1999 was issue that formally delegated all authority being distributed to the CCO at the different field contracting offices. After the latest HCA delegation letters were issued, no letters were issued to the CCOs.

### C. ANALYSIS OF THE DELEGATION OF AUTHORITY TO THE NAVY FIELD CONTRACTING SYSTEM (NFCS) IN ACCORDANCE WITH NAVSUPINST 4200.81C “NFCS AUTHORITY AND RESPONSIBILITY”

#### 1. Contracting Authority and Responsibility

- Issue – Cited Authority, Activity Name and Authority Level in the Instruction is Outdated

NAVSUPINST 4200.81C provides four distinct types of contracting authority: regional contracting support components with unlimited authority; components with limited contracting authority above the micro-purchase threshold; Government Commercial Purchase Card (GCPC) based components; and components with responsibility for certain commodity groups or specific mission support. The unlimited contracting authority is delegated to the FISCs and the NRCC. Limited authority is primarily delegated for simplified acquisition procedures. The purchase card/ordering authority consists of three levels as described in Chapter III, paragraph C (3). The fourth type of authority is delegated the specific components based on their assigned mission and expertise. Our review revealed that the activities that received contracting authority and responsibility from NAVSUP 02 have been properly delegated and clearly defined. However, there were a few minor deficiencies found regarding updated regulatory changes, an activity name change, and a permanent increase in an activity’s contracting authority and responsibility.

Cites throughout the instruction were inaccurate since it references the NAPS. This instruction was issued prior to the NAPS being replaced by the NMCARS and the NMCAG.

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<sup>44</sup> SUP 00 (RADM McCarthy) Letters 21A1/3087 and 3088 dated 07 July 2005 “Delegation of Head of the Contracting Activity (HCA) Authority”

Also, the instruction references NRCC Naples as one of the regional support activities with unlimited authority. As of 03 March 2005, NRCC Naples has become part of the newly established FISC Sigonella. Another minor deficiency is that the instruction references NAVMEDLOGCOM as one of the activities with limited contracting above the SAP threshold. The instruction identifies NAVMEDLOGCOM with a limited authority of \$1 million for certain acquisitions. As of 07 May 2004 this activity was granted a permanent increase in contracting authority of \$2 million for requirement in support of the Naval Medical Information Management Center.<sup>45</sup> These minor deficiencies all occurred after the issuance of the instruction.

## **2. Procedures for Requesting Contracting Authority**

The instruction also provides guidance on the procedures for an activity to request new contracting authority, which may be a permanent increase or a one-time increase, in monetary limitation or scope of existing contracting authority. As described in the beginning of Chapter IV there were several areas where data is maintained, that needed to be assessed. For the increases in one-time or permanent contracting authority, the documents are maintained in NAVSUP 02 TIC System, which is located on the NAVSUP 02 shared hard drive or in the activity's file folder, which is located inside a file cabinet. Compiling this data was a tedious process because not all the contracting increases were populated in one central area. Most of the one-time increases were on the NAVSUP 02 shared drive in a folder labeled "Authority," once this folder was opened, there were numerous individual files and each one had to be opened to view the type of authority granted and in some instances the name of the activity requesting the increased authority. A review was conducted on increased contracting authority granted for FY03, FY04 and FY05 to date. The review revealed the data illustrated in Table 10:<sup>46</sup>

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<sup>45</sup> NAVSUP Letter, Request for Permanent Increase in Contracting Authority, of 7 May 2005

<sup>46</sup> Hazel Sumpter; from NAVSUP 02 Delegation Letters

Table 10. Requests for Increase Contracting Authority

<b>Fiscal Year</b>	<b>One-Time Delegation</b>	<b>Permanent Delegation</b>
<b>FY03</b>		
	NAVFAC Lester, PA	N/A
	NAVFAC Lester, PA	
	NAVFAC Lester, PA	
	NAVFAC Lester, PA	
	NAVFAC Lester, PA	
	NRCC Naples	
<b>FY04</b>		
	NAVFAC Lester, PA	NAVMEDLOGCOM (NMLC)
	NAVFAC Lester, PA	Navy Region Northeast (CNRNE)
	NAVFAC Lester, PA	
	NAVFAC Lester, PA	
	NAVFAC Lester, PA	
	NMLC	
	NAVFAC Midwest	
	NAVFAC Northeast	
<b>FY05</b>		
	NAVFAC Mid-Atlantic	N/A
	NAVFAC Southern Division	
	NAVICP (Code 027)	
	NAVFAC Southern Division	
	NAVFAC Southern Division	
	NAVFAC Mid-Atlantic	
	NAVFAC Northeast	

As may be seen in the table above, NAVSUP 02 was busy in FY03 and FY05 granting one-time increases in contracting authority to the Commander, Naval Facilities Engineering Command (NAVFAC). During this period NAVFAC was outfitting a number of facilities. The products required by the requests were furniture and furnishings. The requirement was to provide a fully integrated, fully operational, complete and useful facility upon completion of the

construction contracts. These products and services at the estimated value are under NAVSUP HCA. There were only two permanent increase requests received, both in FY 04, and granted by NAVSUP 02 for the review period of FY 03 – FY 05. To date we have granted seven one-time increases to various NAVFAC Divisions. Our view revealed that the required documentation stipulated in the NAVSUPINST 4200.81C were included in the requests, in instances where the requests lack sufficient information, the NAVSUP 02 analysts went back to the requesting customer and obtained it. All requests were granted. There are no issues regarding the guidance provided in the instruction and the process by which NAVSUP 02 delegates increased procurement authority.

### **3. Ratification of Unauthorized Commitments**

This instruction also includes guidance on the ratification of unauthorized commitments. As previously discussed in Chapter III, paragraph B, NFCS activities with a delegation of procurement authority above \$500,000 can ratify unauthorized commitments up to \$100,000. NAVSUP 02/029 are delegated the ratification authority for action in excess of \$100,000. We conducted a review of the unauthorized commitments received by NAVSUPHQ in FY03, FY04 and FY05. A total of four records were located after a search on the NAVSUP 02 shared drive, the NAVSUP 02 TIC System, and physically going through our “Chronological Files,” which are paper copy files maintained by month/fiscal year. Three were signed by the former NAVSUP 00, and one signed by NAVSUP ED. Prior to the issuance of the NAVSUPINST 4200.81C, which is dated 08 July 2003, the NFCS with unlimited procurement authority were only delegated ratification authority up to \$50,000. Two of the actions revealed that they were ratified in FY03 and the remaining two were ratified in FY 04. The amount of the unauthorized commitments ranged for \$64,646.00 to \$439,937.00. The ratification file contained all required documentation in accordance with the prescribed instruction.

Also, the “ratification of unauthorized commitments” is one of several “special interest items” that is reviewed and addressed in the PPMAP report of the assessed activities. Special interest items reflect areas of concern throughout DoD, SECNAV, and NAVSUP. PPMAP teams review the ratification of unauthorized commitments up to \$100,000 by the activity to ensure compliance with FAR 1.6, this instruction and whether the activity has an efficient process in place. To determine whether this authority is delegated to the appropriate level the

data used for our analyses is located in on the NAVSUP 02 shared drive. A thorough review of all the PPMAPs conducted by NAVSUP 02 during FY03 through FY05 to date was conducted. The review required physically accessing each report on the NAVSUP 02 shared drive and reading through each one of the eleven final reports issued during our three-year cycle. This review revealed that in FY03, three assessments were conducted; two of the activities assessed were cited with a finding in this area. One finding addressed the use of improper or wrong-year funding; the other finding identified the lack of a process to track and maintain records of ratifications. The third assessment cited a suggestion for the activity to use to curtail repeat offenders from committing the act. It was suggested that the activity send letters to the commanding officers of the repeat offenders. In FY04, four assessments were reviewed and they all were in compliance with FAR 1.6 and this instruction. The same was duplicative in FY05, four activities assessed and all were in compliance. The review revealed that the NFCS activities' delegation of authority to ratify unauthorized commitments up to \$100,000 has been properly delegated and clearly defined. There are no issues regarding this delegated authority.

#### **D. ANALYSIS OF THE CONTINUOUS OVERSIGHT MANDATED IN ACCORDANCE WITH NAVSUPINST 4200.83F "CONTRACTING BUSINESS PROCEDURES AND APPROVALS"**

##### **1. Justifications and Approvals (J&A)**

A thorough review was performed on all J&As that have received at NAVSUP 02, for review and concurrence, that were to be forwarded to the SUP ED or ASN (RDA) for approval during the period FY03 through FY05. This review was performed based on analyzing data contained within the TIC System, the CRB Log, and reviewing the CRB files that are maintained for each activity. These files are maintained as electronic copies in the TIC System and/or hard copies in the file drawers established for each field contracting office. The areas of concern are defined below per issue.

- **Issue – Missing Documentation for J&As Requiring ASN(RDA) Approval**

A review of the J&A files revealed that on several instances, for J&As that were forwarded to ASN(RDA) for approval, a request was made to provide additional information and

documentation prior to approval. In most instances, the requested documentation included a copy of the Acquisition Plan.

NAVSUP Policy Letter 02-21 dated 06 May 2002 specifies that J&A packages that are forwarded to ASN(RDA) for approval shall also include (1) a J&A that addresses all required information; (2) supporting program planning documentation; and (3) additional information concerning the planned procurement that either ASN(RDA) has indicated they need included with every J&A package or that answer questions ASN(RDA) is likely to have. Contracting personnel are to make sure the J&A includes the delivery requirements and funding identification. The submitted supporting documentation needs to be consistent with the information in the J&A. Contracting personnel are to include a description of the pricing and incentive arrangements planned for the contract(s) covered by the J&A and shall provide this information in the letters used to forward the package to DASN(ACQ).

While this additional information is spelled out in the policy letter, it is not identified in Enclosure (1) “J&A Procedures” to NAVSUPINST 4200.83F.

- **Issue – Urgency J&As Not Properly Justified**

A review of the J&A files revealed that in a couple instances, J&As submitted cited the exception at FAR 6.302-2 “Unusual and Compelling Urgency”. FAR 6.302-2(a)(2) identifies that, “When the agency’s need for the supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition need not be provided for”. In both instances revisions were required to the J&As, since the initial submittal did not include language that identified how the Government would be “seriously injured”.

NAVSUPINST 4200.83F, Enclosure (1), addresses the “Justification and Approval Procedures”. Paragraph (3) of this instruction includes special instructions for specific authorities. One of the specific authorities addressed is the use of the exception for unusual and compelling urgency. In this instruction, there is no reference to the FAR requirement to address the serious injury that could befall the Government if the need for the supplies or services is not fulfilled.



## **2. Acquisition Plans (AP)**

A thorough review was performed on all APs that have been received at NAVSUP 02, for review and approval, during the period FY03 through FY05. This review was performed based on analyzing data contained within the TIC System and the CRB Log and reviewing the CRB files that are maintained. These files are maintained as electronic copies in the TIC System and/or hard copies in the file drawers established for each field contracting office. The areas of concern are defined below per issue.

- **Issue – Issuance of Solicitations Prior to Obtaining NAVSUP CRB Approval.**

A review of the contract files revealed that on several instances, field contracting offices issued solicitations on procurements that were estimated above \$100,000,000 prior to obtaining the required approval from NAVSUP 02. In some instances the field office contacted a representative in NAVSUP 02 requesting that the AP be approved by a certain date prior to the solicitation closing.

It should be noted that existing language in Paragraph (4) of NAVSUPINST 4200.83G specifies that the FAR, DFARS and NMCARS “require that various documentation be prepared and approved prior to solicitation and/or award of a contract”. The field activities were notified at the time that they did not have the authority to issue the solicitation prior to obtaining the appropriate approval. In one instance, the activity was notified by NAVSUP 02 that they were to cancel the solicitation until the appropriate approval was granted. These offices were further notified that by issuing the solicitation prior to approval, they were basically turning the NAVSUP review into a “rubber stamp” approval. These field offices were assuming that they were going to obtain the required approval without any changes that would impact the solicitation.

- **Issue – Identify Requirement for NAVSUP Approval of Informal APs.**

As identified in Chapter III(D)(2), FAR 7.102 requires that acquisition planning and market research shall be performed for acquisitions. DFARS 207.103 establishes the dollar threshold for the requirement to prepare formal APs. DFARS 207.105 establishes the content of formal written APs.

A review of the CRB files revealed that in some cases, activities interpreted that if formal written APs required NAVSUP 02 CRB approval, that it was the only document that needed to be submitted. Any other acquisition planning documentation was not included, even though it would provide a clear picture of all acquisition-planning actions that had occurred. For example, activities had prepared Pre-Solicitation Clearances that included the formal Acquisition Plan, the Acquisition Strategy (MOPAS requirement), the solicitation, the Source Selection Plan (SSP), etc., but would only submit the formal AP.

The formal AP does not necessarily identify all the information in these other documents. It does not identify what non-price evaluation factors will be evaluated, what their weights are and how they compare to price, when combined. It does not identify who will perform the evaluation and in what manner. It does not evaluate how the factors will be scored, whether it is an adjectival rating, numerical rating, color rating system, etc. By providing all acquisition planning documentation, the approving official knows all considerations that were taken into account for the procurement.

- **Issue – Requesting Resumes as Part of the Evaluation**

A review of the contract files revealed that on a couple occasions, field-contracting offices requested resumes as part of the evaluation of non-price factors. In both instances, NAVSUP 02 personnel had to remind the contracting personnel that during acquisition planning, field activities that are considering establishing resumes as part of the evaluation criteria shall consider NAVSUP Policy Letter 03-20, “Education Requirements for Service Contractors” dated 26 March 2003.<sup>47</sup> This policy identifies that “educational requirements for contractor personnel should only be imposed in rare occasions such as those required where there is a safety consideration or if a professional certification is needed”. This policy letter was not a NAVSUP initiate, but was generated in response to a memorandum (of the same name) issued by the Under Secretary of Defense (Acquisition, Technology, and Logistics (USD(AT&L)) office Defense Procurement and Acquisition Policy (DP/AP) on 28 January 2003.

This policy issue is not identified in the acquisition planning section of NAVSUPINST 4200.83F, but should be to highlight the restriction.

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<sup>47</sup> NAVSUP Policy Letter 03-30 “Education Requirements for Service Contractors” dated 26 March 2003

- **Issue – Waiver Requirement for the Acquisition of Services that are not Performance Based Service Acquisitions (PBSA)**

In accordance with DFARS 237.170, field activities shall not acquire services through a contract or task order that are not performance based or that is awarded by an agency other than DoD unless the appropriate approval has been obtained. This requirement did not become effective in the DFARS until 01 October 2003. The approval levels are identified and further delegated in NAVSUP Policy Letter 04-09 dated 27 February 2004. The approval levels are as follows:

#### CONTRACTING CHAIN OF COMMAND DECISION AUTHORITY

- a. Over \$1 Billion – ASN(RDA)
- b. \$500 Million – \$1 Billion – DASN(ACQ)
- c. \$50 – 500 Million – Head of the Contracting Activity (HCA)
- d. \$5 – 50 Million – FISC COs/NRCC COs/COMFISC ED/CDR & Deputy CDR, NAVICP/CO NAVMEDLOGCOM
- e. \$5 – 20 Million – CO, NAVOCEANO
- f. \$1 – 5 Million – CCOs
- g. \$100K - \$1 Million – CCOs may redelegate one level above KO
- h. \$100 – 500K – Senior contracting person at NFCS activities with task order authority over \$100K

It should be noted that the DFARS change and NAVSUP Policy Letter 04-09 were both dated after NAVSUPINST 4200.83F, which is dated 07 July 2003. Therefore, this requirement is not identified in the current instruction.

FAR 37.602-1(b) identifies the components of performance based contracting. It identifies that, “When preparing statements of work, agencies shall, to the maximum extent practicable:

1. Describe the work in terms of “what” is to be the required output rather than either “how” the work is to be accomplished or the number of hours to be provided (see 11.002(a)(2) and 11.101);
2. Enable assessment of work performance against measurable performance standards;
3. Rely on the use of measurable performance standards and financial incentives in a competitive environment to encourage competitors to develop and institute innovative and cost-effective methods of performing the work; and
4. Avoid combining requirements into a single acquisition that is too broad for the agency or a prospective contractor to manage effectively.”

A review of the CRB files revealed that in some cases, acquisition planning documentation submitted for service contracts were not being performed as PBSA. There was no discussion of this requirement in the documentation and it did not include the elements identified in FAR 37.602-1 stated above. No waiver had been obtained to contract for the service as non-performance based in accordance with DFARS 237.170-3. In these instances NAVSUP worked with the field contracting office to convert the procurement into a PBSA.

- **Issue – No Acquisition Strategy Submitted When Contracting for Services**

In order to satisfy the Management and Oversight Process for the Acquisition of Services (MOPAS), NAVSUP Policy Letter 04-02 dated 13 November 2003 establishes the requirement to develop acquisition strategies when acquiring services. This policy letter was issued in response to, and includes, DASN(ACQ) memorandums of 31 May 2002 and 10 March 2003, both titled “Acquisition of Services”. These memorandums were issued to implement Department of the Navy (DoN) and Department of Defense (DoD) policy for Section 801(d) of the Defense Authorization Act for FY02, P.L. 107-107.

The memorandums were issued by DASN (ACQ) to establish the DoN process for the oversight and management of the acquisition of services. It identifies that MOPAS “will ensure that service acquisitions are of the highest quality and support DoN objectives; are, to the maximum extent practicable, based on clear, performance-based requirements and that required outcomes are identified and measurable; and are properly planned and administered to achieve the intended results”. These memorandums further identify that MOPAS does not apply to major and non-major acquisition programs and major and non-major information technology acquisition programs managed and reviewed under DoD/DoN 5000 series documents. That MOPAS applies to all DoN organizations and activities.

The contracts for major and non-major acquisition programs are not awarded by NAVSUP. These types of programs are awarded by the other system commands such as Naval Air Systems Command (NAVAIR), Naval Sea Systems Command (NAVSEA), Space and Naval Warfare Systems Command (SPAWAR), etc. Therefore, MOPAS applies to all NAVSUP procurements for services.

The NAVSUP policy letter identifies the approval levels for the acquisition strategy document. This policy further identifies the approval levels for not only the HCA, but the requiring activity’s chain of command as well. These approval levels are established as follows:

#### REQUIREMENTS CHAIN OF COMMAND CONCURRENCE

1. Over \$50 Million – Flag/SES
2. \$1 Million – \$50 Million – O-6/CO
3. \$100,000 – \$1 Million – Level Above Program Manager (PM)

#### CONTRACTING CHAIN OF COMMAND DECISION AUTHORITY

- a. Over \$1 Billion – ASN(RDA)
- b. \$500 Million – \$1 Billion – DASN(ACQ)
- c. \$100 – 500 Million – SUP 00/SUP ED

- d. \$50 – 100 Million – Commander or ED, NAVICP/COMFISCS
- e. \$10 – 50 Million – NAVICP AO or OS/FISC COs
- f. \$1 - 10 Million – CCOs
- g. \$100K - \$1 Million – Level above the Contracting Officer
- h. \$100 – 500K – Senior contracting person at NFCS activities with task order authority over \$100K”

It should be noted that NAVSUP Policy Letter 04-02 was dated after NAVSUPINST 4200.83F, which is dated 07 July 2003. Therefore, this requirement is not identified in the current instruction.

A review of the CRB files revealed that in several instances procurements for services did not include the required acquisition strategy. In these instances NAVSUP worked with the field contracting office to prepare the required documentation for approval. NAVSUP Policy Letter 05-08 “Management and Approval Process for the Acquisition of Services and Supplies in the NAVSUP Claimancy” dated 13 May 2005<sup>48</sup> provides a detailed description of the information that should be contained in the acquisition strategy.

- **Issue – Approval for the Consolidation of Contracts is Not Contained in NAVSUPINST 4200.83F**

In accordance with DFARS 207.170, activities shall not consolidate contract requirements with a total exceeding \$5 million unless the procedures at DFARS 207.170-3 are met. It identifies that agencies shall not consolidate contract requirements with a total value exceeding \$5 million unless the acquisition strategy includes a determination by the senior procurement executive that consolidation is necessary and justified. This section of the DFARS was added on 17 September 2004 to implement Section 801 of the National Defense Authorization Act for FY04. The approval levels for such actions are identified in NMCARS 5207.1. This requirement was identified in NAVSUP Policy Letter 05-09 “Approval of Consolidation of Contract Requirements” dated 23 March 2005. This policy memorandum

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<sup>48</sup> NAVSUP Policy Letter 05-08 “Management and Approval Process for the Acquisition of Services and Supplies in the NAVSUP Claimancy” dated 13 May 2005

references, and includes, DASN(ACQ) memorandum “Changes to the Navy Marine Corps Acquisition Regulation Supplement” dated 13 October 2004.

NMCARS 5207.170-3 establishes that approval for acquisitions that exceed \$50 million is DASN(ACQ). It further identifies that the HCA is the approval authority for procurements below \$50 million, but that this authority may be delegated. The NAVSUP Policy Letter 05-09 delegates the approval authority to Commanders/Commanding Officers/NAVICP Vice Commander/COMFISCS Executive Director that are members of the Acquisition Professional Community for acquisitions below \$50 million or up to the activity’s contracting authority, whichever is lower.

It should be noted that the implementation of NMCARS 5207.170-3 and NAVSUP Policy Letter 04-02 was dated after NAVSUPINST 4200.83F, which is dated 07 July 2003. Therefore, this requirement is not identified in the current instruction.

- **Issue – Proper Use of Non-DoD Contracts is Not Contained in NAVSUPINST 4200.83F**

NAVSUP Policy Letter 05-13 “Proper Use of Non-DoD Contracts” dated 30 June 05<sup>49</sup> establishes, and includes, Secretary of the Navy (SECNAV) memorandum “Proper Use of Non-DoD Contracts” dated 20 December 2004 that requires all acquisition planning pertaining to the use of non-DoD contracts shall be performed in accordance with this policy. This policy requires that contracting activities establish procedures for reviewing and approving the use of non-DoD contract vehicles for supplies and services in excess of the simplified acquisition threshold. It further requires that “program and other requiring managers must collaborate with their counterparts in the financial, legal and contracting communities to ensure that use of a non-DoD contract vehicle is in the best interest of the Navy”. This policy letter also includes NAVSUP Policy Letter 05-08 “Management and Approval Process for the Acquisition of Services and Supplies in the NAVSUP Claimancy” dated 13 May 2005 as an enclosure. This policy letter includes templates that assist contracting personnel and requirements personnel in making the appropriate determination to use non-DoD contracts to obtain required supplies and services.

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<sup>49</sup> NAVSUP Policy Letter 05-13 “Proper Use of Non-DoD Contracts” dated 30 June 2005

It should be noted that the implementation of NAVSUP Policy Letter 05-13 was dated after NAVSUPINST 4200.83F, which is dated 07 July 2003. Therefore, this requirement is not identified in the current instruction.

- **Issue – Implementation of SeaPort-e is Not Contained in NAVSUPINST 4200.83F**

NAVSUP Policy Letter 05-17 “Naval Supply Systems Command SeaPort-e Implementation” dated 15 August 2005<sup>50</sup> establishes, and includes, the NAVSUP Command’s SeaPort-e Implementation Policy. This policy requires that contracting activities acquire services through the web-based tool Seaport-Enhances, or “SeaPort-e”. The policy identifies that, “The Virtual Systems Commands designated SeaPort-e as a primary means of acquiring services. Under NAVSUP’s HCA, in CONUS, Hawaii, and Alaska, acquiring services through means other than SeaPort-e will require a waiver”. The policy also provides a sample waiver to assist the field contracting offices.

SeaPort-e is a web-based tool that is used to acquire services. It was developed by NAVSEA for their command to use for acquiring all services and their internal system is simply called “SeaPort”. NAVSEA Multiple Award Contracts (MACs) were designed to include all aspects of professional support services required by NAVSEA. NAVSEA currently offers two sets of MACs, SeaPort and SeaPort Enhanced (SeaPort-e). These contracts are not intended to nor will they be used to procure any personal services or services which are inherently governmental.

The objective of SeaPort-e is to provide government managers with timely high quality services for a reasonable price while maximizing innovation and cost reduction initiatives. All task orders placed against a SeaPort-e contract must fall within the general scope defined in the basic contract. There are seven regions specified in SeaPort-e and each contract applies to a specific region. Contracting personnel solicit offers from contractor in the region where the contracting office is located or based on where the services will be performed. Figure 8<sup>51</sup> identifies how the 50 States have been broken up into the seven regions.

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50 NAVSUP Policy Letter 05-17 “Naval Supply Systems Command Seaport-e Implementation” dated 15 August 05

51 NAVSEA Website ([www.seaport.navy.mil](http://www.seaport.navy.mil)); “SeaPort Enhanced” presentation, OGC Conference, 27 April 2004



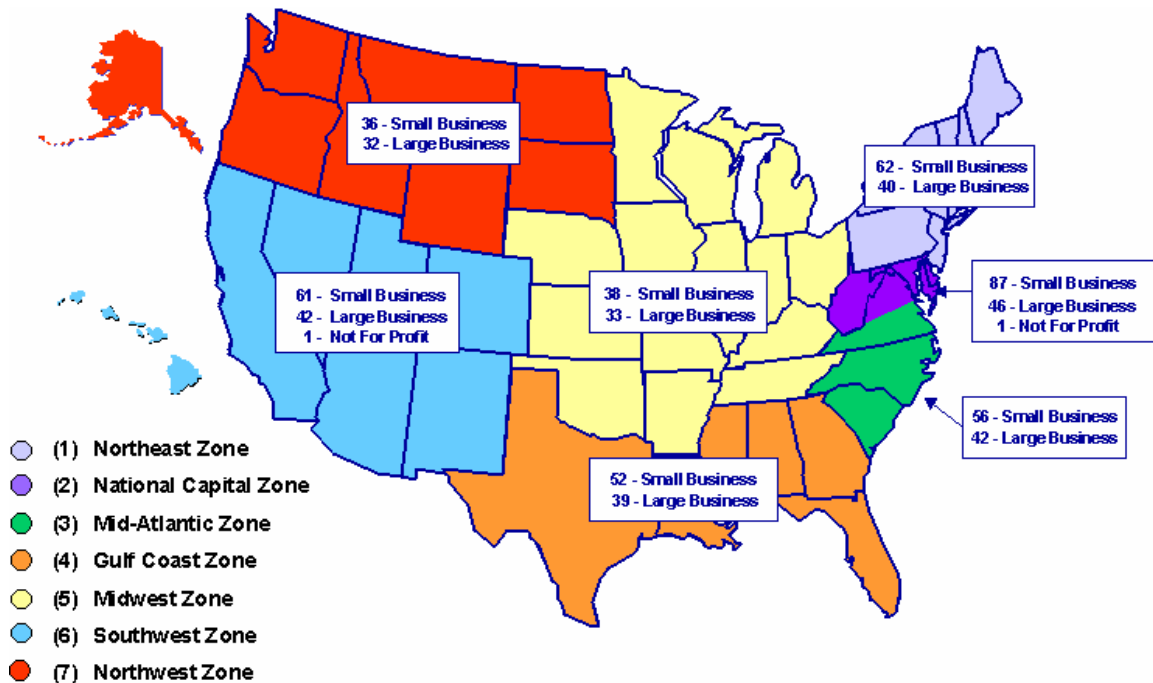


Figure 7. SeaPort-e Regions

There are over 600 contracts with various companies that cover 22 categories of services that make up SeaPort-e. The Virtual Systems Command agreed that all commands would use SeaPort-e for acquiring services for three types of services; Financial Management, Program Management and Engineering & Technical Services (ETS). The Virtual Systems Command is comprised of representatives from NAVSUP, NAVSEA, NAVAIR, SPAWAR and NAVFAC. The agreement was established in Memorandum of Agreement (VS-MOA-19) dated 05 October 2004 that was signed by the commanding officers of all activities that make up the Virtual Systems Command. NAVSUP took this initiative a step further and required the use SeaPort-e for all 22 services included in their contracts. The mandatory use of SeaPort-e only applies to contracts that exceed \$100,000.00.

It should be noted that the implementation of NAVSUP Policy Letter 05-17 was dated after NAVSUPINST 4200.83F, which is dated 07 July 2003. Therefore, this requirement is not identified in the current instruction.

### **3. Business Clearances**

NMCARS 5201.691-1 specifies, “(b) HCAs are responsible for oversight and review of their subordinate contracting organizations”. More specifically, that “(c) The Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM) is also responsible for oversight and review of all activities with NAVSUPSYSCOM-delegated contracting authority, and other activities as directed by DASN(ACQ) or higher-level authority”. NMCAG G5201.690 identifies that “HCAs should establish written procedures for the review and approval of business clearances”.

In order to meet the requirements of this higher level authority, the intent of business clearance approval at the NAVSUP level is to maintain continual oversight of the HCA authority (as specified in Chapter II) and subsequently the NFCS. The makeup of the NFCS and the authority each field contracting office has been granted has been previously defined in Chapter III, paragraph (C) of this paper. The goal of NAVSUP approval of these documents is for oversight of the most important procurements (based on dollar value) being awarded throughout the NFCS and balanced oversight of all field contracting offices. As stated in Chapter III, NMCAG G5201.690(c) requires that for business clearances the “degree and complexity of documentation required, and approval levels/thresholds, for various actions should be governed by the magnitude and complexity of the action being reviewed”.

In order to determine if the intended balanced continual oversight of APs and business clearances is occurring, an analysis was performed on the number of actions submitted by each office that comprises the NFCS. This analysis was made on all APs and business clearances that have been reviewed and approved by NAVSUP over the last three fiscal years (FY 03 through FY 05). It should be noted that the \$100,000,000 approval threshold for actions to be submitted to NAVSUP has not changed over this three-year period. For purposes of this analysis, each individual procurement submitted and reviewed shall count as one action. The reason for this is that one procurement may have numerous documents submitted for NAVSUP approval. A typical procurement that exceeds \$100,000,000 could have three documents approved; the Acquisition Plan, the Pre-Negotiation Business Clearance and the Post-Negotiation Business Clearance. However, the documents reviewed by NAVSUP for one procurement could be below three. There is potential that a procurement could have been estimated below this threshold, so

the AP is approved at the field contracting office level, but after proposals are received and reviewed, it could exceed this threshold now requiring NAVSUP level approval. If a contract will be awarded on initial offers, a combined Pre-/Post-Negotiation business clearance will be submitted as opposed to an individual Pre-Negotiation Business Clearance and an individual Post-Negotiation Business Clearance. Based on this fluctuation, each procurement that has at least one document reviewed and approved by NAVSUP will count as one action.

In order to determine the number of actions submitted for NAVSUP approval, a data run of CRB cases will be taken from the TIC System (Table 11) and PMRS (Table 12) run will be taken based on the \$100,000,000 approval threshold identified in Chapter III. Unfortunately, as stated earlier, the TIC System has only been in place April 2004, which does not address the entire three-year period. The remaining data was obtained from the CRB log and the hard copy CRB file that was in place prior to the TIC System. In order to confirm the accuracy of this data, the hard copy individual contract files were retrieved from the field contracting office's individual file drawers and reviewed.

Table 11. TIC System, CRB Log, and CRB Files – Actions exceeding \$100M

Field Contracting Office	No. of Actions FY 2003	No. of Actions FY 2004	No. of Actions FY 2005	Avg.
FISC Norfolk	4	6	3	4.3
NAVICP	3	4	3	3.3
FISC Puget Sound	0	1	0	0.3
FISC San Diego	0	0	1	0.3
FISC Yokosuka	1	0	0	0.3
FISC Jacksonville	0	0	0	0
FISC Pearl Harbor	0	0	0	0
FISC Sigonella	0	0	0	0
NRCC Singapore	0	0	0	0
NAVMEDLOGCOM	0	0	0	0
NEXCOM	0	0	0	0
NAVOCEANO	0	0	0	0
NAVSUP HQ	0	0	0	0

Table 12. PMRS Run - Actions Exceeding \$100M

Field Contracting Office	No. of Actions FY 2003	No. of Actions FY 2004	No. of Actions FY 2005	Avg.
FISC Norfolk	3	4	1	2.7
NAVICP	1	3	1	1.7
FISC Puget Sound	0	1	0	0.3
FISC San Diego	0	0	1	0.3
FISC Yokosuka	1	0	0	0.3
FISC Jacksonville	0	0	0	0
FISC Pearl Harbor	0	0	0	0
FISC Sigonella	0	0	0	0
NRCC Singapore	0	0	0	0
NAVMEDLOGCOM	0	0	0	0
NEXCOM	0	0	0	0
NAVOCEANO	0	0	0	0
NAVSUP HQ	0	0	0	0

As may be seen from the tables above, the totals for the three fiscal years are different for FISC Norfolk and the NAVICP. There are several reasons why this could occur. The data from table one could capture an action that commences in one fiscal year and completes in another fiscal year. For example the Acquisition Plan (AP) could be reviewed and approved in FY04 and the contract may not be awarded until FY05, meaning the DD 350 data will not show up in the PMRS System until the fiscal year the contract is awarded. In this instance, the one action would appear as part of the total in the “No. of Actions FY 2004” column in Table 10 and in the “No. of Actions FY 2005” column in Table 12.

It is quite possible that individuals did not properly input the data into the TIC System or the CRB Log. As was addressed earlier in Figure 8, there is a drop down box under “Category” with one option being “CRB Case”. All contracting personnel in NAVSUP 02 have been instructed that if the action is going to the NAVSUP 02 CRB for approval, that this option is to be selected. One of the authors of this report went through all records in the system and discovered that in several instances, this option was not selected and was in fact left blank. A query may be performed in the TIC System to list all “CRB Cases” that have been input. When

the block is not checked, it will not show up in the query and it will distort the statistics that the system is suppose to track. In several occasions, CRB cases were held and a TIC number was not assigned to the action, since it was not input into the system. There were also several instances where actions were not put into the CRB Log that was in place prior to the establishment of the TIC System.

Another reason for the difference between the two tables is that an action could be estimated at over \$100M, but could actually be awarded for an amount below \$100M. In this instance, the action would appear in Table 11, but not in Table 12, since the input into the PMRS System will show the less than \$100M amount. There is potential that personnel could improperly code the DD 350. Block B11 of the DD Form 350 identifies the “Total Estimated Contract Value” and this identified amount is input into the PMRS System to determine the total value of the procurement for the base period and all option periods. There have been instances during the review of the PMRS data, and during PPMAP reviews, that individuals input the total estimated amount for the base period only not including the option periods. In these instances, contract actions would not appear in Table 12. Also, the data in the table above is through 31 August 2005 for FY05. It is possible that the data has not yet been input into the PMRS System, which would mean the action would show up in Table 11, but not Table 12. The figures for all other activities are consistent between the two tables. Lastly, it is also possible that even though the action exceeded \$100M and required NAVSUP 02 approval, it was not submitted as required.

Regardless of the reasons why the data in the two tables do not mirror each other for FISC Norfolk and NAVICP, the data shows that they are the only two field contracting offices that submit a significant amount of clearances for review each year. FISC Norfolk averages approximately 3.5 actions per year for review over the last three years and NAVICP averages approximately 2.5 actions per year. As may be seen from the tables above FISC Puget Sound, FISC San Diego and FISC Yokosuka have submitted one action each for review over the last three fiscal years. The remaining activities have submitted no actions for review during this time period.

It could be argued that in accordance with NMCAG G5201.690(c), the \$100M threshold for NAVSUP 02 approval meets the requirement that the “degree and complexity of

documentation required, and approval levels/thresholds, for various actions should be governed by the magnitude and complexity of the action being reviewed”. However, as identified in Chapter III (C), each field contracting office is assigned its own unique contracting responsibilities. It is reasonable to interpret the highest dollar value procurements for each office should represent their procurements with the greatest “magnitude and complexity”. In order for NAVSUP 02 to maintain this continual oversight, based on their HCA oversight responsibilities and regulatory requirements, they should review an equal number of clearances from all of the NFCS offices. This should result in a continual understanding of the main procurement efforts for all of the NFCS offices. Besides having unique contracting responsibilities, each office has their own unique structure (work experience mix, environmental influences, the types of contracts awarded, etc.) that should be understood and monitored.

In order to determine how to achieve the individual review thresholds that should be established in order to review the same level of actions as FISC Norfolk and NAVICP, approximately three actions per year, PMRS System data will need to be analyzed. The information from the PRMS system is presented in Table 13 below.

Table 13. NAVSUP Enterprise PMRS Run

Activity	\$\$\$\$\$	FY02	FY03	FY04	FY05*	Average**
FISC NORFOLK	OVER \$25M	17	3	5	1	6.50
	OVER \$50M	6	1	4	0	2.75
	OVER \$75M	5	0	4	0	2.25
	OVER \$100M	3	0	3	0	1.50
FISC NORFOLK DET., PHILA.	OVER \$25M	3	5	6	3	4.25
	OVER \$50M	1	4	2	1	2.00
	OVER \$75M	1	3	2	1	1.75
	OVER \$100M	1	3	1	1	1.50
FISC NORFOLK (Total)	OVER \$25M	20	8	11	4	10.75
	OVER \$50M	7	5	6	1	4.75
	OVER \$75M	6	3	6	1	4.00
	OVER \$100M	4	3	4	1	3.00
FISC JACKSONVILLE	OVER \$5M	1	4	4	2	2.75
	OVER \$10M	1	2	1	1	1.25
	OVER \$25M	1	1	0	1	0.75
	OVER \$50M	0	0	0	0	0.00
	OVER \$75M	0	0	0	0	0.00
	OVER \$100M	0	0	0	0	0.00
FISC PEARL HARBOR	OVER \$1M	4	1	2	5	3.00

	OVER \$5M	1	1	1	2	1.25
	OVER \$10M	1	0	1	1	0.75
	OVER \$50M	0	0	0	0	0.00
	OVER \$75M	0	0	0	0	0.00
	OVER \$100M	0	0	0	0	0.00
FISC SAN DIEGO	OVER \$5M	4	8	3	16	7.75
	OVER \$10M	4	4	0	10	4.50
	OVER \$25M	4	3	0	4	2.75
	OVER \$50M	2	2	0	1	1.25
	OVER \$75M	2	1	0	0	0.75
	OVER \$100M	1	0	0	0	0.25
FISC YOKOSUKA	OVER \$1M	3	12	8	4	6.75
	OVER \$5M	3	1	0	0	1.00
	OVER \$10M	3	1	0	0	1.00
	OVER \$25M	2	1	0	0	0.75
	OVER \$50M	2	1	0	0	0.75
	OVER \$75M	1	1	0	0	0.50
	OVER \$100M	0	1	0	0	0.25
FISC PUGET SOUND	OVER \$5M	2	1	1	5	2.25
	OVER \$10M	0	0	1	3	1.00
	OVER \$25M	0	0	1	1	0.50
	OVER \$50M	0	0	1	0	0.25
	OVER \$75M	0	0	1	0	0.25
	OVER \$100M	0	0	1	0	0.25
NAVICP	OVER \$25M	7	1	6	2	4.00
	OVER \$50M	1	1	3	2	1.75
	OVER \$75M	0	1	3	1	1.25
	OVER \$100M	0	1	3	1	1.25
NAVICP 027	OVER \$5M	9	10	9	NA	9.33
	OVER \$10M	2	3	4	NA	3.00
	OVER \$25M	0	0	1	NA	0.33
	OVER \$50M	0	0	0	NA	0.00
	OVER \$75M	0	0	0	NA	0.00
	OVER \$100M	0	0	0	NA	0.00
FISC SIGONELLA (NRCC NAPLES)	OVER \$5M	3	3	3	3	3.00
	OVER \$10M	3	1	1	1	1.50
	OVER \$25M	3	0	1	0	1.00
	OVER \$50M	0	0	0	0	0.00
	OVER \$75M	0	0	0	0	0.00
	OVER \$100M	0	0	0	0	0.00
NRCC SINGAPORE	OVER \$5M	6	1	3	1	2.75
	OVER \$10M	2	1	3	0	1.50
	OVER \$25M	0	0	2	0	0.50
	OVER \$50M	0	0	0	0	0.00
	OVER \$75M	0	0	0	0	0.00
	OVER \$100M	0	0	0	0	0.00
NAVMEDLOGCOM	OVER \$5M	0	1	5	3	2.25

	OVER \$10M	0	1	3	1	1.25
	OVER \$25M	0	0	0	1	0.25
	OVER \$50M	0	0	0	1	0.25
	OVER \$75M	0	0	0	1	0.25
	OVER \$100M	0	0	0	1	0.25
NEXCOM	OVER \$5M	8	13	7	NA	9.33
	OVER \$10M	7	9	4	NA	6.67
	OVER \$25M	1	3	2	NA	2.00
	OVER \$50M	1	0	1	NA	0.67
	OVER \$100M	0	0	0	NA	0.00
NAVSUP HQ***	OVER \$5M	NA	NA	3.0	NA	3.00

\* Inputs through 31 Aug 2005

\*\* Last updated 26 Sep 2005

\*\*\*Threshold of \$5M established by NAVSUP 029

Based on an analysis of the data presented in Table 13 the approval threshold to achieve reviewing approximately three actions per field contracting office would need to be set as shown in Table 14:

Table 14. Approval Threshold

Field Activity	Dollar Threshold
FISC Norfolk	\$100,000,000
FISC San Diego	\$25,000,000
NEXCOM	\$25,000,000
NAVICP	\$25,000,000
NAVICP 027	\$10,000,000
FISC Jacksonville	\$5,000,000
FISC Puget Sound	\$5,000,000
FISC Sigonella	\$5,000,000
NRCC Singapore	\$5,000,000
NAVMEDLOGCOM	\$5,000,000
NAVSUP HQ	\$5,000,000
FISC Yokosuka	\$1,000,000
FISC Pearl Harbor	\$1,000,000



**E. ANALYSIS OF THE REGULARLY SCHEDULED OVERSIGHT IN ACCORDANCE WITH NAVSUPINST 4200.82C “PPMAP OF THE NFCS”**

**1. Overview of the PPMAP Program and Structure of the PPMAP**

PPMAP reviews conducted by NAVSUP 02 of the NFCS during this three-year cycle are illustrated in Table 15.

Table 15. PPMAP Reviews Conducted by NAVSUP 02

<b>Fiscal Year</b>	<b>PPMAP Reviews Conducted</b>
FY03	<ul style="list-style-type: none"><li>• FISC Pearl harbor</li><li>• FISC San Diego and its Detachments (Dets.)</li><li>• NRCC Singapore</li></ul>
FY04	<ul style="list-style-type: none"><li>• FISC Puget Sound</li><li>• FISC Yokosuka</li><li>• FISC Sigonella (formerly NRCC Naples) and Dets.</li><li>• NAVMEDLOGCOM</li></ul>
FY05	<ul style="list-style-type: none"><li>• FISC Jacksonville</li><li>• FISC Norfolk and Dets.</li><li>• NAVICP</li><li>• NAVOCEANO</li></ul>

A thorough review was performed on all the assessments conducted by NAVSUP 02 during the period FY03 through FY05. The review was performed based on analyzing data contained in each report retrieved from the NAVSUP 02 shared drive. The areas of concern are defined as issues below.

**2. PPMAP Team Composition, Selection and Responsibility**

- **Issue – Structure of PPMAP/Team Composition does not meet NAVSUPINST 4200.82C**

A review of the team composition revealed instances were not all NAVSUP 02 directors (GS-15) participate in at least one PPMAP review per fiscal year. The review also revealed that not all NAVSUP 02 advocates are participating on reviews for the activities for which they were assigned. The analysis revealed that approximately 50% of the Team Leaders, SAP and Large Contracts for the reviews performed by NAVSUP 02 during this three years cycle were non-NAVSUP 02 staff.

As identified in the NAVSUPINST 4200.82C, every NAVSUP 02 division director should participate in at least one PPMAP review per fiscal year. During the time this instruction was written NAVSUP 02 was structured as a Directorate with two divisions. The instruction also states “NAVSUP 02 designates activity advocates as PPMAP team leaders”. The instruction further states that NAVSUP 02 will rotate team members to provide all NAVSUP 02 personnel equal opportunity to participate on PPMAP review. Not all NAVSUP 02 employees have participated on a PPMAP, which is one of the major functions as an HCA.

**3. The On-Site Review (Including Activity Evaluation) and Actions Following a PPMAP On-Site Review**

- **Issue – No Comparison of Findings and/or Issues across the NFCS**

There were a total of eleven PPMAP reviews performed by NAVSUP 02 during FY03 through FY05. A thorough review of the assessments conducted during this three years cycle revealed that many of the same issues and findings occur across the NFCS. There were “repeat” findings and one time findings of activities not always submitting DD350s in a timely manner; activities not adequately determining price reasonableness in purchase files; activities not closing out contract and purchase files in a timely manner; activities not preparing or obtaining approvals and written determinations for issuing purchase orders under the micro-purchase threshold. The greatest number of “repeat” findings was in Chapter II of the PPMAP report, “Management of the Contracting Function.” This section alone comprised 50% of the repeat findings and systemic issues. A review of the annual report to DASN(ACQ) of the PPMAPs performed by NAVSUP HQ and PPMAP field offices identified some of the same major areas for improvement. They were contract closeout, contract reporting, unauthorized commitment, DD350 issues, small business procedure issues, pricing, file documentation, management of CORs, and J&A issues.

NAVSUPINST 4200.82C, Enclosure (4), “Navy Field Contracting Guide for Conducting PPMAPS at Contracting Offices Exercising Unlimited Contracting.” In its introduction it states, “the purpose of the PPMAP is to allow NAVSUP to rely on an activity’s documented quality reviews to the maximum extent practical while validating the activity is meeting mission requirements and ensuring the integrity of the contracting process.” It is believed that “this approach minimizes compliance-oriented aspects of oversight, integrates

quality assessment factors and requires the development and monitoring of performance-based, self-assessment metrics for critical acquisition processes.” This guide identifies and discusses the transitioning of the review cycle from a three-year period to a five-year period. Realizing the five-year cycle is a long time between reviews, NAVSUP intends to implement an on-going communication plan with its field activities. The guide states that “under this plan NAVSUP 02 will disseminate any new or pertinent information at the semiannual Senior Contracting Council (formerly Senior Acquisition Council) conference and provide an opportunity for exchange of information and feedback to the PPMAP program manager.”

## **F. IMPLEMENTATION OF SELF-ASSESSMENT PLANS**

The intent of developing self-assessment plans is to provide NFCS management with the ability to monitor critical contracting processes on an on-going basis. By monitoring these key contracting processes, management will be able to detect potential systematic problems, through quarterly, semi-annual and/or annual reviews, and take proactive corrective action. This will foster improvement of internal contracting processes and maximize the efficiency and effectiveness of the contracting operation.

It is anticipated that a three-step process will be used to ensure proper implementation of self-assessment plans across the NFCS activities. These three steps are as follows:

1. Approval – NFCS activities will submit their initial self-assessment plan to NAVSUP 02 for approval. These self-assessment plans will be reviewed and suggestions for improvement will be provided as necessary. Once approved, activities will begin submitting self-assessment plan results to NAVSUP 02 on a quarterly basis.

2. Verification – After NAVSUP 02 receives and reviews at least four quarters of results, NAVSUP 02 will conduct an on-site review during the conduct of the next regularly scheduled PPMAP review to verify self-assessment plan results. The on-site review will consist of a full-blown PPMAP review, which will include a validation of self-assessment plan metrics and processes.

3. Certification – Receipt of a “Satisfactory” rating following the on-site review will result in a certification of the self-assessment plan by NAVSUP 02.

The intent is that a NFCS activity that has a NAVSUP 02 certified self-assessment plan will be transitioned from a three-year PPMAP review cycle to a five-year PPMAP review cycle. The five-year PPMAP review cycle will become effective from the date of the initial “Satisfactory” on-site review. NFCS activities will be required to submit quarterly self-assessment plan results to NAVSUP 02 in accordance with the format established in the planned instruction. If a NFCS activity fails to provide quarterly results, as identified within the instruction, it may result in a change in the activity’s self-assessment certification status and associated PPMAP review cycle.

The goal to implement the self-assessment plan process is on going and has not yet been put in place; therefore, analysis of the success of the process is not possible. A comparison of the proposed self-assessment plan process with the direction from DASN(ACQ)<sup>52</sup> confirms that the direction from the higher level authority is being followed.

Currently, the draft Self-Assessment Plan policy was forwarded to the NFCS activities for comment and all comments were received in November 2005. The plan is that the policy will be implemented in January 2006. Once implemented, all NFCS activities will be required to submit Self-Assessment Plans that meet the requirements of the policy, to NAVSUP 02 for approval. Once an activity’s plan is approved, quarterly results will be reviewed at the activity and NAVSUP 02 levels. If an activity has successful results over four consecutive quarters, the plan will be certified. This means that activities could be certified as early as fiscal year 2007. Once an activity’s Self-Assessment Plan is certified, the activity will be transitioned from a PPMAP review from once every three years to once every five years.

## **G. ANALYSIS OF THE NAVSUP 02 CUSTOMER SATISFACTION SURVEY PROCESS**

As we mentioned earlier in Chapter III, Chapter IV will provide an analysis of the results received from the NAVSUP 02 Customer Satisfaction Survey Results document from the

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<sup>52</sup> DASN(ACQ) Letter of 27 March 1997

Contracting Office input dated 25 July 2003.<sup>53</sup> NAVSUP 02 personnel confirmed this survey is not an annual requirement and the next NAVSUP 02 survey will be conducted in FY 06.

In order to analyze the results of the Customer Satisfaction Survey Process from the latest NAVSUP 02 Customer Satisfaction Survey, NAVSUP 02 personnel provided the FY 03 Customer Satisfaction Survey Results to be analyzed. This analysis will focus primarily on the HCA Oversight responsibilities that have been addressed throughout this project and are identified in Table 16.

Table 16. HCA Oversight Responsibilities

HCA Oversight Responsibilities
1. D&F Processing
2. Justifications and Approvals (J&A)
3. Acquisition Plans (AP)
4. Business Clearances
5. Turnaround Time for Processing D&Fs, J&As, APs, PNMs,
6. PPMAP

Table 17 identifies two numerical breakdown scales. The numerical breakdown for “NAVSUP 02 Effectiveness” with the defined range from “Ineffective” to “Highly Effective” and the numerical breakdown for services NAVSUP customers indicate are important to them. Table 17 indicates the “Level of Importance to You” with the defined range from “Not Important” to “Critically Important.” Both numerical breakdown ranges from one to five – one being the least important.

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<sup>53</sup> NAVSUP 02 Customer Satisfaction Survey dated 25 July 2003

Table 17. Numerical Breakdown for NAVSUP 02 Effectiveness/Level of Importance to the Customer

<b>NAVSUP 02 Effectiveness</b>	<b>Level of Importance to You</b>
1. Ineffective	1. Not Important
2. Somewhat ineffective	2. Somewhat Important
3. Basically Effective	3. Important
4. Very Effective	4. Very Important
5. Highly Effective	5. Critically Important
NA - Not Applicable.	NA – Not Applicable

As stated earlier, Table 18 will cover the “FY 03 Ratings of NAVSUP 02 Effectiveness” and Table 19 will cover the “FY 03 Ratings of Importance to Customers,” (Note: HCA Oversight functions are highlighted in Tables 18 and Table 19.)

The analysis of Table 18 indicates the effectiveness level of NAVSUP 02s services for FY 03. These rankings ranged from 4.0 - 2.6, which indicate the overall range to be “Very Effective” to “Somewhat Ineffective.”

The HCA Oversight performance functions in Table 18 are very effective in comparison to the performance of the other NAVSUP 02 services. Six of the top seven effectiveness ratings, out of the 22 service categories, dealt with HCA Oversight responsibilities.

The HCA Oversight responsibilities for the following areas; D&F Processing, Justifications and Approvals (J&A), Acquisition Plans (AP), Business Clearances, Turnaround Time for Processing D&Fs, J&As, APs, PNMs, and PPMAP functions indicate an effectiveness range between 4.0 – 3.6, which indicates a range to be “Very Effective” to “Basically Effective.”

The majority of the field offices identified the overall effectiveness of NAVSUP 02 to be “Basically Effective,” a few responses identifying the NAVSUP 02 Effectiveness to be “Very Effective,” and one response indicated NAVSUP 02 Effectiveness to be, “Somewhat Ineffective.”

Table 18. FY 03 Rating of NAVSUP 02 Effectiveness

Category Of Service	Rating Of NAVSUP 02 Effectiveness
Business Clearance/Pre-Post Negotiation Memorandum (PNM) Processing	4.0
PPMAP (NAVSUP Review of Your Activity)	4.0
Purchase Card APC Oversight	3.9
J&A Processing	3.8
Turnaround Time For Processing D&Fs, J&As, APs, PNMs	3.7
D&F Processing	3.7
Acquisition Plan (AP Processing	3.6
Senior Acquisition Conferences and VTCs/Communication	3.5
Business Planning	3.5
Naval Contingency Contracting Program Coordination	3.5
Management of Congressional Inquiries	3.4
Management of Audits (Naval, DoD, GAO, etc.)	3.4
Daily Field Operations Support (NAVSUP 22)	3.3
Development/Management of Metrics	3.1
Strategic Planning	3.0
Development/Implementation of New Initiatives	3.0
Development of Policy	2.9
Sharing Contracting knowledge/Best Practices	2.8
Management of Data Calls	2.8
Mgmt of Proc Automation/Electronic Contracting (SPS, NECO, ITIMP, PMPRS, Ras, Marketplace)	2.7
Workforce Mgmt (DAWIA, Contractor Learning, Acquisition Profession Community Training, etc.)	2.6

The analysis of Table 19 prioritizes the NAVSUP 02 services in which the customers ranked important to their activity during FY 03. These rankings fell between 4.5 and 2.8, which indicate a range to be “Very Important” to “Somewhat Important.”

Six of the top ten HCA Oversight responsibilities discussed in this paper are considered extremely important to the surveyed activities. These services include; D&F Processing, Justifications and Approvals (J&A), Acquisition Plans (AP), Business Clearances, Turnaround Time for Processing D&Fs, J&As, APs, PNMs, and PPMAP functions. The range of importance for the HCA Oversight functions fell between 4.8 – 4.3, which indicates a range to be, “Very Important” to nearly the “Critically Important” range.

Table 19. FY 03 Ratings of Importance to Customers

Category Of Service	Importance To Customers
Turnaround Time For Processing D&Fs, J&As, APs, PNM's	4.8
Purchase Card APC Oversight	4.5
PPMAP (NAVSUP Review of Your Activity)	4.5
Business Clearance/Pre-Post Negotiation Memorandum (PNM) Processing	4.4
Development of Policy	4.4
Mgmt of Proc Automation/Electronic Contracting (SPS, NECO, ITIMP, PMPRS, RAs, Marketplace)	4.4
J&A Processing	4.3
Acquisition Plan (AP) Processing	4.3
D&F Processing	4.3
Workforce Mgmt (DAWIA, Contractor Learning, Acquisition Professional Community Training, etc.)	4.3
Business Planning	4.0
Sharing Contracting knowledge/Best Practices	3.9
Daily Field Operations Support (NAVSUP 22)	3.9
Senior Acquisition Conferences and VTCs/Communication	3.8
Strategic Planning	3.8
Development/Management of Metrics	3.7
Strategic Planning	3.8
Development/Implementation of New Initiatives	3.7
Management of Audits (Naval, DoD, GAO, etc.)	3.4
Management of Congressional Inquiries	3.4
Management of Data Calls	3.3
Naval Contingency Contracting Program Coordination	2.8

Chapter V will provide specific recommendations to NAVSUP 02 to assist NAVSUP 02 management improve the next NAVSUP 02 Customer Satisfaction Survey to be conducted in the near future.



## **V. CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents the project conclusions and recommendations. This is the final chapter that will conclude what has been addressed in the previous chapters. Chapter I was the introduction to the paper and it identified the purpose and scope of the project. It also identified the methodology of the project, the anticipated benefits of the research and the organization of the paper. Chapter II identified the background and how HCA oversight is mandated in law and regulation. Chapter III was a presentation of the processes that NAVSUP has implemented to meet the HCA oversight requirements. Chapter IV was an analysis of those processes identified in Chapter III. This chapter, Chapter V, will present conclusions and recommendations based on the analysis of the processes that occurred in the previous chapters. The recommendations will be presented in the same structure as the identification of the NAVSUP processes, and the analysis of those processes, that occurred in Chapters III and IV. Chapter V will conclude with a “Project Summary” that will provide an overall assessment of how effective NAVSUP is in implementing the HCA oversight responsibilities and an overall address of the conclusions and recommendations reached.

### **A. IMPLEMENTATION OF THE HCA OVERSIGHT RESPONSIBILITY WITHIN NAVSUP**

No recommendations. This process was just recently implemented, so there is no data or lessons learned that would result in meaning recommendations. To date, no problems have occurred whereas the required coverage was not provided.

### **B. NAVSUP 00 LETTERS DATED 07 JULY 2003 DELEGATING HCA AUTHORITY**

Recommend that new letters delegating HCA authority be prepared and signed by the current HCA of NAVSUP. Recommend that these letters cite the appropriate authority based on the change from the NAPS to the NMCARS/NMCAG. Also, recommend that once these letters

are submitted to NAVSUP ED and NAVSUP 02, that any HCA authority that is being delegated to the CCOs in the field be accomplished by a letter signed by NAVSUP 02 delegating the authority to them.

**C. DELEGATION OF AUTHORITY TO THE NFCS IN ACCORDANCE WITH NAVSUPINST 4200.81C “NFCS AUTHORITY AND RESPONSIBILITY”**

**1. All Sections**

Recommend the release of the new instruction to replace NAVSUPINST 4200.81C dated 8 July 2003. This recommendation is based on regulatory and policy changes discussed in the previous chapter. As mentioned in Chapter III, there is a draft NAVSUPINST 4200.81D under review. This recommendation is also based the higher-level regulatory guidance, the change in contracting authority. Specifically, the current instruction references the Navy Acquisition Procedures Supplement (NAPS), this instruction has been replace with the NMCARS/NMCAG; NRCC Naples has realigned under the newly formed FISC Sigonella; and as mentioned in the above paragraph, the contracting authority for NMLC increased

**D. RECOMMENDATIONS FOR THE CONTINUOUS OVERSIGHT MANDATED IN ACCORDANCE WITH NAVSUPINST 4200.83F “CONTRACTING BUSINESS PROCEDURES AND APPROVALS”**

Recommended a new instruction be issued to replace NAVSUPINST 4200.83F dated 07 July 2003. This recommendation is based on several changes that have occurred in applicable regulations and policy. It is also based on numerous issues that have arisen under the current instruction that were discussed in detail in Chapter IV and have individual recommendations in the preceding sections below. Recommend that the new instruction replace all references to the NAPS with the applicable reference to the NMCARS and/or NMCAG. NAVSUPINST 4200.83F is dated prior to this change occurring.

**1. Justifications and Approvals (J&A)**

a. Recommend that the Enclosure (1) “Justification and Approval Procedures” to NAVSUPINST 4200.83 (Series) include the language from NAVSUP Policy Letter 02-21 dated 06 May 2002 that requires submittal of additional documentation. J&A packages that are

forwarded to ASN(RDA) for approval shall also include (1) a J&A that addresses all required information; (2) supporting program planning documentation; and (3) additional information concerning the planned procurement that either ASN(RDA) has indicated they need included with every J&A package or that answer questions ASN (RDA) is likely to have.

b. Recommend that Enclosure (1) “Justification and Approval Procedures” to NAVSUPINST 4200.83 (Series) include additional language in the section that addresses “Unusual and Compelling Urgency (FAR 6.302-2)”. This section of the FAR identifies that this exception to full and open competition is justified when “the agency’s need for the supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition need not be provided for”. Recommend that the revised instruction include a requirement to specify the harm to the Government if this exception is used.

## **2. Acquisition Plans (AP)**

a. Recommend revised instruction firmly state that solicitations shall not be issued prior to obtaining approval of the acquisition plan. It should also state that contracts shall not be awarded prior to approval of the business clearance at the appropriate level authorizing the award.

b. Recommend incorporating language into the instruction that requires all AP documentation be submitted for review and approval, not just the formal AP. For example, activities that prepare Pre-Solicitation Clearances shall submit the clearance and all attachments (i.e. the formal Acquisition Plan, Acquisition Strategy, solicitation, SSP, etc.) for review and approval. These documents provide NAVSUP the complete information necessary to understand all efforts and considerations made in the acquisition process.

c. Recommend that NAVSUP Policy Letter 03-20 “Education Requirements for Service Contractors” dated 26 Mar 03<sup>54</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). This policy identifies that “educational requirements for contractor personnel should only be imposed in rare occasions such as those required where there is a safety consideration or if a professional certification is needed”.

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<sup>54</sup> NAVSUP Policy Letter 03-20 “Education Requirements for Service Contractors” dated 26 March 2003

Identification of this requirement in the instruction will highlight the need to consider this policy when contemplating requesting resumes as part of the evaluation of offers.

d. Recommend that NAVSUP Policy Letter 04-09 “Approval Requirements for Service Acquisitions” dated 27 Feb 04<sup>55</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). This enclosure should identify that, “In accordance with DFARS 237.170, field activities shall not acquire services through a contract or task order that are not performance based or that is awarded by an agency other than DoD unless the appropriate approval has been obtain in accordance with DFARS 237.170-3.” This enclosure should identify the waiver approval levels established in the DFARS and NAVSUP Policy Letter 04-09 dated 27 February 2004. This enclosure should also identify the element of performance based contracting in accordance with FAR 37.602-1(b).

e. Recommend that NAVSUP Policy Letter 04-02 “Management and Oversight Process for the Acquisition of Services” dated 13 Nov 03<sup>56</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). This enclosure should identify that, “In order to satisfy the Management and Oversight Process for the Acquisition of Services (MOPAS), NAVSUP Policy Letter 04-02 dated 13 November 2003 establishes the requirement to develop acquisition strategies when acquiring services”. It should also reference NAVSUP Policy Letter 05-08 “Management and Approval Process for the Acquisition of Services and Supplies in the NAVSUP Claimancy” dated 13 May 2005, which provides a detailed description of the information that should be contained in the acquisition strategy.

f. Recommend that NAVSUP Policy Letter 05-09 “Approval of Consolidation of Contract Requirements” dated 23 Mar 05<sup>57</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). It should identify that agencies shall not consolidate contract requirements with a total value exceeding \$5 million unless the acquisition strategy includes a determination by the senior procurement executive that consolidation is

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<sup>55</sup> NAVSUP Policy Letter 04-09 “Approval Requirements for Service Acquisitions” dated 27 February 2004

<sup>56</sup> NAVSUP Policy Letter 04002 “Management and Oversight Process for the Acquisition of Services” dated 13 November 2003

<sup>57</sup> NAVSUP Policy Letter 05-09 “Approval of Consolidation of Contract Requirements” dated 23 March 2005

necessary and justified. It should further identify the approval levels for such consolidations as addressed in Chapter IV (D)(2)(h).

g. Recommend that NAVSUP Policy Letter 05-13 “Proper Use of Non-DoD Contracts” dated 30 Jun 05<sup>58</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). This addition will highlight the requirement that contracting activities establish procedures for reviewing and approving the use of non-DoD contract vehicles for supplies and services in excess of the simplified acquisition threshold. It will further identify templates that assist contracting personnel and requirements personnel in making the appropriate determination to use non-DoD contracts to obtain required supplies and services.

h. Recommend that NAVSUP Policy Letter 05-17 “Naval Supply Systems Command Seaport-e Implementation” dated 15 August 2005<sup>59</sup> is identified in Enclosure (2) “Acquisition Plan Procedures” of the NAVSUPINST 4200.83 (Series). This addition will highlight the requirement that contracting activities will consider using the website to obtain the 22 services covered by the SeaPort-e contracts. It will further identify if SeaPort-e is not being used to obtain the covered services, that a waiver is required.

### **3. Business Clearance**

a. Recommend that the approval threshold for Acquisition Plans and Business Clearances be revised from \$100,000,000 for all field contracting offices to specific approval levels for each office as illustrated in Table 21:

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<sup>58</sup> NAVSUP Policy Letter –05-08 “Management and Oversight Process for the Acquisition of Services and Supplies in the NAVSUP Claimancy” dated 13 May 2005

<sup>59</sup> NAVSUP Policy Letter 05-17 “Naval Supply Systems Command Seaport-e Implementation” dated 15 August 2005

Table 20. Approval Thresholds

Field Activity	Dollar Threshold
FISC Norfolk	\$100,000,000
FISC San Diego	\$25,000,000
NEXCOM	\$25,000,000
NAVICP	\$25,000,000
NAVICP 027	\$10,000,000
FISC Jacksonville	\$5,000,000
FISC Puget Sound	\$5,000,000
FISC Sigonella	\$5,000,000
NRCC Singapore	\$5,000,000
NAVMEDLOGCOM	\$5,000,000
NAVSUP HQ	\$5,000,000
FISC Yokosuka	\$5,000,000
FISC Pearl Harbor	\$5,000,000

The Chapter IV analysis of the CRB threshold shows that in order to review approximately three actions a year from FISC Yokosuka and FISC Pearl Harbor, the appropriate threshold would be \$1,000,000. If that level were set for these two activities, it would appear that there was a lack of confidence in their efforts compared to all other activities being set no lower than \$5,000,000. The Test Program established in FAR 13.5 allows for the procurement of commercial items that do not exceed \$5,000,000 using simplified acquisition procedures. It was not considered appropriate to establish a review level below this threshold based on this authority. Also, these two activities perform approximately the same amount of contracting as the other activities that are set at the \$5,000,000 threshold (FISC Jacksonville, FISC Puget Sound, FISC Sigonella, NRCC Singapore, NAVMEDLOGCOM and NAVSUP HQ). With the threshold established at FISC Yokosuka and FISC Pearl Harbor, it is still anticipated that on average NAVSUP 02 will review and approve 1.0 and 1.25 actions per year, respectively. Based on this information, it is recommended that the approval levels be reestablished at the threshold amounts stated above.

b. Recommend that a regular reminder for NAVSUP 02 personnel to obtain a TIC number and properly code the input. Based on a review of all records in the TIC System, certain actions had not been input. It is recommended that the TIC Number be identified on the CRB Summary form, which is presented to CRB members, to verify it has been properly input into the system. The CRB standard operating procedures<sup>60</sup> requires that a CRB log is maintained. A query has been established in the TIC System so that a log may be generated for all CRBs based on personnel selecting the option “CRB Case” on the TIC assignment screen. This was not happening in all cases.

c. Recommend a PMRS and TIC System reconciliation be performed prior to the PPMAP review. To assure that all actions that require NAVSUP 02 approval are being submitted for review, a comparison should be made between the contract actions that were received for review and a review of PMRS information for contract awards that exceed the dollar threshold for NAVSUP 02 approval. The PMRS information is normally reviewed before a PPMAP anyway in order to obtain a random sample of contract actions that will be review during the team’s visit.

d. Recommend established lessons learned system that identifies continuous problem areas observed during CRB reviews. Recommended this information is provided to the field during monthly Senior Civilian Counsel (SCC) video teleconferences (VTC) that occur on the first Tuesday of every month. After the SCC VTC, an e-mail notification of the highlights of the meeting is sent to all field contracting offices. This information is provided to the members of the SCC, which are the Director of Acquisition and their deputies. They would be responsible for providing the information to their contracting personnel in their office.

## **E. REGULARLY SCHEDULED OVERSIGHT IN ACCORDANCE WITH NAVSUPINST 4200.82C “PPMAP OF THE NAVY FIELD CONTRACTING SYSTEM”**

### **1. Overview of the PPMAP Program**

Recommend a new instruction be issued to replace NAVSUPINST 4200.82C dated 09 July 2003. This recommendation is based on regulatory and procedural changes, and the

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<sup>60</sup> NAVSUP Policy Letter 05-13 “Proper Use of Non-DoD Contracts” dated 30 June 2005

reorganization of NAVSUP CMD. Recommend also that the new instruction replace all references to the NAPS with applicable reference to the NMCARS and/or NMCAG.

## **2. Structure of the PPMAP**

No recommendations based on the analysis of this process.

## **3. PPMAP Team Compositions, Selection and Responsibility**

Recommend that management level personnel participate on at least one PPMAP review per year per the current instruction and that this rule is carried over into the new instruction. Also recommend PPMAP team leaders for Large Contracts and SAP portion of the review be assigned from NAVSUP 02 CMD personnel.

The recommendation is based on the HCA responsibilities covered in this paper and PPMAP participation guidance that is established in NAVSUPINST 4200.82C. PPMAP is a NAVSUP 02 responsibility and its personnel should have the lead in this respect. Other support members of the team, such as large contract and SAP analyst team members that report to the team leads, should be obtained from the sources mentioned in Chapter III. Recommend the new instruction be updated to maintain this requirement as established in the current instruction. This approach maintains the integrity of the process delegated to the HCA for contracting oversight management. As stated previously in Chapter III, “HCAs are responsible for oversight and review of their subordinate contracting organizations”. Therefore, it is only feasible that the leaders for large contracts and SAP should be NAVSUP CMD employees.

## **4. The On-Site Review (Including Activity Evaluation) & Actions Following a PPMAP On-Site Review**

Recommend a summary of findings, repeat findings, best practices and lessons learned be resented to the field activities at the monthly Senior Contracting Council (SCC) VTC and the annual SCC conference. Due to lean initiatives to reduce operational costs this medium represents an excellent way for the activity to prepare for its assessment. This forum is scheduled for the CCO, its deputy and others who may find the information useful in correcting issues/concerns prior to their own PPMAP review.



## **F. IMPLEMENTATION OF SELF-ASSESSMENT PLANS**

Recommend that NAVSUP 02 continue with their current plan to implement Self-Assessment Plans for the NFCS activities as currently scheduled. Since this process is currently still being implemented, there is no data or lessons learned that would result in meaning recommendations.

## **G. NAVSUP 02 CUSTOMER SATISFACTION SURVEY PROCESS**

### **1. Customer Satisfaction Survey Process Recommendations 1 - 5**

Recommendation 1 – Prior to conducting the next NAVSUP 02 Customer Satisfaction Survey, delegate a member of NAVSUP 02 to establish a dialogue with the customers to ask what other areas they would like to see on the survey. Such areas could include but are not limited to; cooperation, responsiveness, and responsiveness of NAVSUP 02 personnel.

Recommendation 2 – Conduct the NAVSUP 02 Customer Satisfaction Survey on a regularly scheduled basis. NAVSUP 02 management should decide what is an effective rating period for what they are looking to accomplish with the surveys. Also, the survey should be automated for ease of obtaining input and compiling data.

Recommendation 3 – NAVSUP 02 should distribute the results of the NAVSUP 02 Customer Satisfaction Survey to both internal and external customers. If funding is available, visit the command with notable issues to establish a personal collection of information. If funding is not available, conduct a timely follow-up phone call by the designated NAVSUP 02 person or connect via video teleconferencing for a cost effective approach to addressing the NFCS activity's concern.

Recommendation 4 – The HCA Oversight Team should conduct an internal NAVSUP 02 review on the current processes for the HCA Oversight responsibilities identified in this project prior to the next NAVSUP 02 Customer Satisfaction Survey. Specifically, “how” can NAVSUP 02 improve the following; D&F Processing, Justifications and Approvals (J&A), Acquisition Plans (AP), Business Clearances, Turnaround Time for Processing D&Fs, J&As, APs, PNMs, and PPMAP processes.

Recommendation 5 – NAVSUP 02 should review and align their efforts to meeting the needs of their customers. Specifically for the purposes of this paper, the following services could be improved; Turnaround Time for Processing D&Fs, J&As, APs, PNMs, PPMAP (NAVSUP Review of Your Activity), Business Clearance/Pre-Post Negotiation Memorandum (PNM) Processing, J&A Processing, Acquisition Plan (AP) Processing, and D&F Processing.

## **H. PROJECT SUMMARY**

The authors of this project believe that overall NAVSUP 02 is doing a very effective job meeting the HCA oversight responsibilities. This project has demonstrated that all HCA oversight responsibilities designated in statute and regulation have been clearly met. NAVSUP 02 has been reorganized to assure that the responsibilities associated with HCA oversight have been appropriately delegated and centrally managed. This structure promotes a unified focus on this important area by a dedicated team. NAVSUP has issued instructions and policy that clearly delineates the authority levels, has established processes to achieve their oversight responsibility, and has met the requirements of higher-level policy. Also, that these processes provide the required continual and regularly scheduled oversight of the NFCS.

That being said, any established process may be improved and efficiencies gained. The authors have made several recommendations that they believe will improve the HCA oversight process at NAVSUP. It should be noted that several recommended changes that have been made are related to updating policy and processes based on changes to regulations, higher level policies and revised procurement authorities. This was anticipated at the start of this project and it is recognized that it is basically impossible to have all instructions and policies up to date based on the continuous changes in Government contracting. Some of the more significant recommended changes including revising the CRB approval thresholds, establishing PPMAP team membership in accordance with the applicable instruction and improving the customer survey process will benefit NAVSUP 02 by enhancing their knowledge of the contracting actions occurring within the NFCS.

## **LIST OF REFERENCES**

1. Shapro, CDR Stephen, BUMED Contracting Authority Presentation dated 25 May 05
2. United States Code
3. Federal Acquisition Regulation (FAR) – FAR 1.101
4. Defense Federal Acquisition Regulations Supplement (DFARS)
5. Navy Marine Corps Acquisition Regulations Supplement (NMCARS)
6. NAVSUPINST 4200.81C
7. <http://www.navsups.org>, Internet, accessed on 20 August 2005
8. NMCARS
9. Johnston, Jody; PowerPoint Slide; 29 August 2005
10. NAVSUPINST 5400.4M “NAVSUP Organization Manual”(15 February 2000)
11. NAVSUP Policy Letter 99-38 “Head of the Contracting Activity (HCA) Delegation of Authority,” dated 14 June 99
12. NAVSUPINST 4200.81C “Navy Field Contracting System Authority and Responsibility” (08 July 2003)
13. NAVSUPINST 4200.82C “Procurement Performance Management Assessment Program (PPMAP) of the Navy Field Contracting System (NFCS)” (09 July 2003)
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